



## EUROPEAN NEWS

## French unions split on jobs protest

BY DAVID WHITE

THE COMMUNIST-LED CGT union group, over 2m strong, has failed to rally the support of France's other main union body, the CFDT, for nation-wide industrial action in protest against the Government's employment policy.

The leaders of the two unions, M. Georges Seguy, for the CGT, and M. Edmond Maire for the CFDT, met yesterday for the first time since the March general election. Their talks, lasting for just under two hours, ended without an agreement on joint general action, although the

two bodies will work together in individual conflicts, in industrial sectors and on a regional basis.

The temperature of relations between the two unions has differed little from that on the political scene between the Communist and Socialist parties. But yesterday's meeting did not produce a direct confrontation, and the two leaders sat side by side afterwards to announce the result.

The Socialist-oriented CFDT (Confédération Française Démocratique du Travail) declared its

opposition to a generalised strike movement. The CGT (Confédération Générale du Travail) is due to decide early next month whether to go ahead on its own with protest action of this kind.

Both agreed, however, in condemning the Government's policy on employment and what they considered inadequate measures to safeguard jobs in the budget package announced the week before last. The most recent unemployment figures showed a 5.6 per cent increase to 1.16m in the number looking for work

in August. The CGT, however, claims that the total number of jobless in France is now well past the 1.5m mark.

A CGT delegation, headed by M. Seguy, also held talks yesterday with M. Robert Boulin, the Labour Minister, on a series of government compacts with employees' and employers' representatives. The CGT leader, who is a central committee member of the Communist Party, said afterwards that he had come out "empty handed".

The CGT demanded fresh measures to combat unemployment, including a reduction in the working week, eventually cutting the basic number of hours from 40 to 35, without reducing pay.

The budget's package included tax measures to discourage overtime work, and earmarked funds for job-creating investment and new activities in areas in which steel mills and shipyards were closing down.

M. Seguy said after his meeting that talks with employers were becoming bogged down and that no area of agreement had been found with the Government.

The CGT's Peugeot branch, meanwhile, has invited British, Spanish, and French unionists, affected by the proposed Peugeot-Citroen-Chrysler deal to a meeting in Paris. Representatives from Peugeot-Citroen and Chrysler's Spanish plants had already accepted, and the meeting could take place very soon, CGT officials said.

The French Communists have attacked the terms of Peugeot-Citroen's takeover plan for Chrysler Europe, particularly the acquisition by Chrysler Corporation of a 15 per cent stake in the French group.

PARIS, Sept. 19.

## Ecevit holds his majority

By Metin Munir

ANKARA, Sept. 19.

TURKISH Prime Minister, Mr. Bulent Ecevit, has reaffirmed that he has a majority in the National Assembly, eliminating doubts about the strength and durability of his eight-month old administration.

A total of 218 members showed up at the 450-member National Assembly to-day at Mr. Ecevit's request to attend an extraordinary session, a strength tantamount to a vote of confidence.

Doubts about Mr. Ecevit's strength arose yesterday when Deputy Prime Minister, Mr. Turhan Feyzioglu, resigned and withdrew his tiny Republican Reliance Party (RRP) from the Government. In the process, however, Mr. Feyzioglu lost the only other MP of his party when Mr. Salih Yildiz, the Minister of State, resigned from the RRP and remained in the Cabinet.

Mr. Feyzioglu's resignation led to speculation that others might follow, depriving Mr. Ecevit of his slim Assembly majority (10 Ministers are independent right wing members).

Mr. Ecevit's 214 Republican People's Party deputies rely on the support of 14 or more independent right-wing deputies and the sole representative of the Democratic Party for their ruling majority.

The presence of 228 deputies in the Assembly today proved that the speculation is baseless. All opposition parties and deputies boycotted the sitting.

## Romanian army only for defence, says Ceausescu

BY PAUL LENDVAI IN VIENNA

AMID RUMOURS of a forthcoming Warsaw Pact summit meeting in Budapest, Mr. Nicolae Ceausescu, the Romanian President, recently reaffirmed that the Romanian army will in no circumstances take part in a war against another people. Its only mission was the defence of the homeland, he added.

Mr. Ceausescu, who is also supreme commander of the Romanian armed forces, stated this at a two-day conference of senior military personnel and party officials attached to the army last week.

The full text of his speech confirms the impression of firm resistance to external pressures. Time and again, he said that the Warsaw Pact was founded 23 years ago as an instrument of defence against an imperialist attack.

Stressing the need for strengthening collaboration with the Warsaw Pact armies, he made it clear that Romania will fulfil its obligations under the treaty "if an aggression starts against any Socialist State in Europe."

The Soviet Union, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania belong to the pact, Albania left in September 1968.

The timing and tone of the Romanian statement are regarded by diplomatic observers as highly significant. Romania is the only Warsaw Pact country which not only maintains, but has recently intensified, military co-operation with China.

Since last summer, three Chinese military delegations, each headed by a deputy chief of staff, visited Romania, which dispatched similar missions to China.

Since 1976, Romania has purchased more than 20 gun- and torpedo-boats from China, in the time of sharpening conflict between Moscow and Peking, and growing danger of a military confrontation between China and Vietnam, the Kremlin is understood to be pressing for accelerated military integration.

President Ceausescu repeatedly stated that Romania will continue to develop "the exchange of experiences" with the armies of other Communist countries.

Stronger cooperation in the military sphere, and elimination of the differences between "some socialist countries," were important factors in the successful building of socialism in each country, he added.

Mr. Ceausescu also spoke in favour of contacts with the armies of other states—that is, in the West. Only eight days earlier, he attended military manoeuvres in Romania.

Meanwhile, Yugoslav news reports about a forthcoming visit by Mr. Leonid Brezhnev, the Soviet leader, to Hungary and a subsequent Warsaw Pact meeting in Budapest during the first half of October have not yet been officially confirmed by East European officials.

The last such bloc summit took place in Bucharest in November 1976, preceded by an official visit by Mr. Brezhnev to Romania.

A meeting of what is officially called the political consultative committee of the Warsaw Pact is certainly overdue. It would now be the turn of Hungary, which last played host to such a summit in 1969. At the last summit a joint secretariat and a committee of Foreign Ministers was set up.

The Foreign Ministers met last April in Sofia, and the Council of Defence Ministers, the highest body in the military sphere, met in February this year in Moscow.

Full-scale summit meetings are attended by the first secretaries of the Communist parties of the member States where no Soviet troops are stationed. The last Soviet units left the country in June 1958.

Thirty-one Soviet divisions are now stationed in Central and Eastern Europe: 20 in Germany, two in Poland, four in Hungary and five in Czechoslovakia.

## Italy's payments surplus reaches record £980m

BY PAUL BETTS

THE SUBSTANTIAL improvements were again confirmed today as the August figures in payments were again confirmed today by Bank of Italy provisional figures showing a record surplus of L1,415bn (about £980m) last month.

This brings Italy's payments surplus over the last eight months to about L4,900bn against a surplus of about L410bn in the same period last year.

The latest figures, which also show an increase of about L1,000bn in August in the country's foreign currency reserves—now standing at more than \$10bn—are well in line with the Government's target of an overall current account surplus, cent next Export growth seen of more than L3,000bn this year, to be slackening.

## Eoka-B surrender ends siege at Nicosia prison

BY OUR OWN CORRESPONDENT

NICOSIA, Sept. 19.

SEVEN HOSTAGES held by Eoka-B prisoners in three other prisoners in Nicosia's central prison since Saturday were freed unharmed today when their captors surrendered to the police.

The three-day siege ended early this afternoon when the nine prisoners, led by Vassos Pavlides, handed over their weapons after appeals from two of their lawyers. Assurances were given by the police that lawful procedures would be observed.

The siege began after Pavlides' fiancée, Andovila Neocleous, smuggled a loaded pistol into the prison on Saturday. She then joined the prisoners in their coup. The prison was surrounded by police and troops who blocked routes with armoured cars. Six Eoka-B men who started the

mutiny were joined later in three other prisoners. The freed hostages, four men, were given an emotional welcome this afternoon by waiting relatives and were driven to a meeting with President Spyros Kyprianou, who congratulated them on their "brave stand".

The outcome will undoubtedly boost the position of President Kyprianou who refused to be to the prisoners' demand for safe passage out of the country. The hostages told reporters they had been without food for the three days, but did not say the prison authorities to prove any, so that their captors were starved as well. The hostages said their hands had been throughout the three days.

## Franco minister gives evidence in murder case

MADRID, Sept. 19.

A FORMER minister under Franco and a leading Falangist today gave evidence to a judge investigating the murder of five Communist lawyers last year.

Mr. Raimundo Fernandez Cuesta, veteran leader of the Falangist movement and twice a minister under Franco, also a Falangist and a former head of the defunct Francoist trade unions, appeared before the judge in the National High Court. Neither is accused of any offences.

The judge is investigating the murder on January 24 last year of five Communist lawyers, machine-gunned in their offices with four colleagues who were badly wounded but survived.

The attack occurred in what has become known as the "tragic week" of Spain's transition to democracy, when 10 people, including the lawyers, were killed, and a top army general kidnapped.

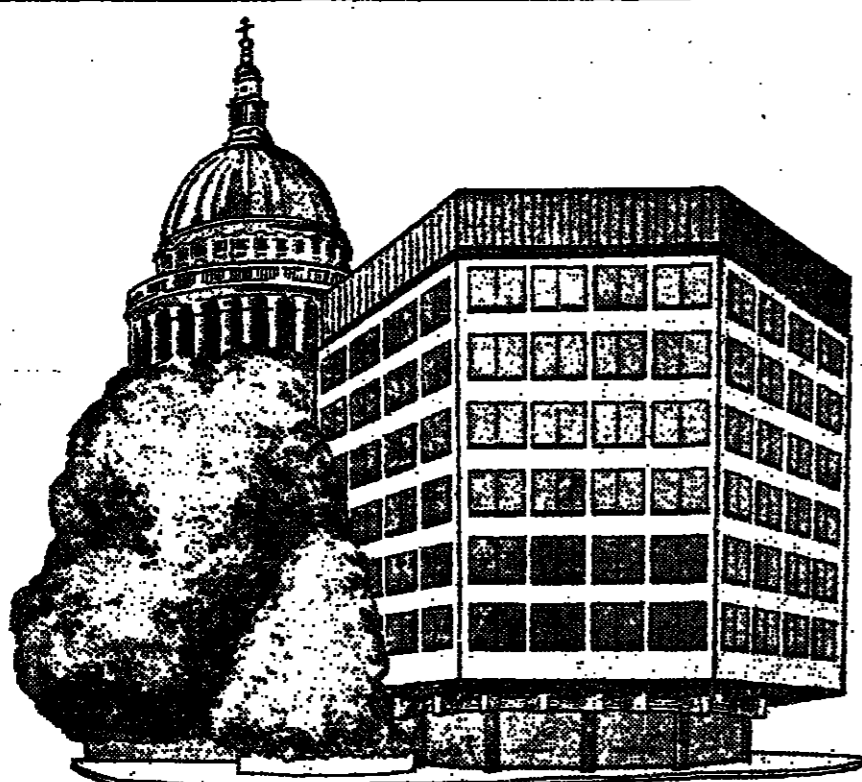
Seven right-wingers have been arrested in connection with the lawyers' murder and judicial investigations have been going on for almost 18 months.

## Judges strike

Italian judges started a three-day strike yesterday for higher pay and public spending cuts.

The company attributing the over-staffing to the transfer of electronic technology in its factories.

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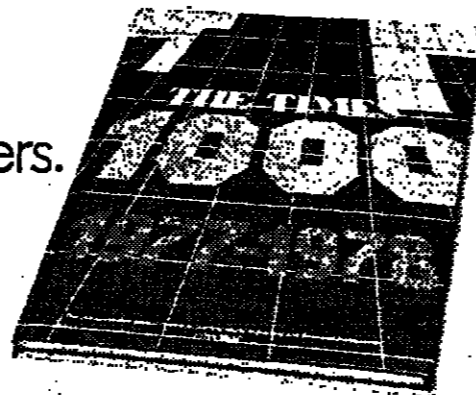
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## EUROPEAN NEWS

## Spanish Communist bid to end EEC entry row

By Robert Graham

MADRID, Sept. 19.

EFFORTS ARE being made to overcome the serious differences between the French and Spanish Communist parties provoked by the French Communists' hostility to Spain's entry into the Common market.

The two parties have agreed to prepare papers on their respective positions ahead of a special meeting on the issue, to be held before the end of the year, a senior party official said here.

The French Communists' hostility has caused both embarrassment and considerable annoyance to the Spanish Communist party (PCE).

The party has strongly supported Spanish entry into an enlarged European Community, seeing this move as an essential means of consolidating democracy in Spain by linking the country to the mainstream of European political life.

This view, the PCE hoped, could be shared not merely by the French Communist Party but by the French Left as a whole, which had always identified itself with a restoration of democracy in Spain.

As Spain has begun to negotiate with Brussels in earnest this year, the French Left, especially

the French Communist Party, has vociferously opposed Spanish entry to say nothing of the Gaullists on the Right.

What has upset the PCE is what they see as the opportunism of the French Communist Party. Instead of displaying international solidarity, the French Communist leadership has sought to exploit fears of the repercussions of Spanish entry on the electorate in Southern France.

The PCE understands that the French Communists have their own electoral considerations, but officials feel that the spectre being raised of mass loss of jobs in the South of France due to competition from Spanish agriculture is both unrealistic and unjustified.

Further, to base opposition to Spanish entry into the EEC, first and foremost a political act, on such exaggerated fears is considered ill-judged by the PCE.

Open criticism of the French position has been muted. The PCE have in public limited themselves to saying that the party disagree with their French colleagues but cannot interfere in the workings of another party.

However, Sr Santiago Carrillo, the PCE leader, was sufficiently concerned to initiate at short

notice a meeting in Paris on September 5 with M. Georges Marchais, leader of the French Communist Party.

Taking the view that it was best to find common ground, rather than exacerbate the issue, Sr Carrillo has been able to persuade the French Communist Party to prepare a dossier on their position.

This will be thrashed out at a special meeting of party representatives later in the year.

With each side preparing a detailed analysis of their respective positions, the PCE hopes to be able to isolate the "political" aspects of Spanish entry from the economic consequences, according to senior officials.

They argue that acceptance of EEC membership both by the Nine and by Spain is a political act—and a relatively quick one to accomplish.

More complex and lengthy, perhaps lasting up to 10 years, will be the transition period, during which Spain will adapt to full EEC economic membership.

If the French Communists can be persuaded to forgo their hostility to Spain's political membership of the EEC, the economic objections will be easier to come to accommodate.

## Irish seek £650m in currency aid

By Our Own Correspondent

DUBLIN, Sept. 19.

THE IRISH Minister for Finance, Mr. George Colley, claims to have received a "heartening response" to his request for EEC aid of £650m to help Ireland join the proposed European currency scheme.

Mr. Colley attended yesterday's meeting in Brussels of the Finance Ministers of the Nine who began detailed planning for the proposed scheme.

Ireland's position is that, if she is to join a scheme which links her currency to that of stronger economies, there must be a significant transfer of resources to help her catch up with those economies.

The £650m requested by Ireland would be spread over five years and would be on top of existing EEC grants.

The money is earmarked for improving such services as roads and telephones, thus reducing Ireland's high borrowing requirement which might, in the context of the new scheme, put pressure on an Irish currency.

Ireland's negotiating position may have been weakened by the fact that it is clearly keen to be a member of the scheme and so far, apart from Mr. Colley's apparent optimism, there is no indication that other states are prepared even to consider the principle of such a transfer of resources.

Meanwhile the Irish Electricity Supply Board today reported its first profit for five years—but also warned of possible power cuts and price rises, agencies report.

The surplus of more than £4m was the first to be recorded since the 1973 oil crisis.

But the board said there could be difficulties in keeping up supplies over the winter, because of a backlog of maintenance work and shortage of emergency supply sources. Rising interest rates and oil costs could soon force up the price for electricity consumers.

## DUTCH BUDGET

## Deficit 'stretched to its limit'

By Michael van Os

THE DUTCH Government is budgeting for a record public sector deficit of Fl16.2bn, equivalent to 6 per cent of the national income, as part of an attempt to reduce unemployment and increase business profits.

Presenting his 1979 budget today, the Finance Minister, Mr. Frans Andriessen, told Parliament that the deficit had been stretched to its "utmost limit" and would not be repeated. It was "permissible and unavoidable" in view of the weak spending situation and the importance of expenditure and tax policies as a means of promoting employment.

If the deficit exceeds the planned limit, the Government says it has "an emergency brake" procedure, details of which have not been disclosed. The Budget has been described as the first step in a three-year Government plan to curb the runaway growth of public expenditure, and the need for strong measures was hinted at by Queen Juliana in her speech opening Parliament, when she said: "The fact that the economic position of our country gives rise to concern is not sufficiently understood."

Mr. Andriessen himself described the economic outlook as "gloomy." The budget memorandum stresses that the Government intends to combat the high level of unemployment by reducing public expenditure, which should help achieve a much-needed improvement in corporate profitability. "In the Dutch open economy, the employment position can improve only if the rise in costs in trade and industry is contained," said the memorandum, published today with the budget proposals.

The budget contains few major surprises because the Government published outlines of its medium-term economic and financial policy at the end of June in a document entitled "Rheinstetten '81." Today's budget marks the beginning of the implementation of the policies.

At a news briefing, Mr. Andriessen made a strong plea to Parliament to approve Government policy, while urging the trade unions to co-operate by agreeing to further wage restraint. So far the unions' response has been negative.

Their main criticism, which they share with the Socialist opposition party, is that the cuts in the growth of public spending are too drastic. Another criticism from the unions is that there are no assurances that improved corporate earnings, achieved in 1977 and 11 per cent in 1978, will be maintained in 1979. The increase in the consumer price index will slow down only marginally next year, to reach 4 per cent, compared with 4.5 per cent in 1978, 6.5 per cent in 1977.

The budget proposals show that, with reference to the gloomy economic prospects, the planned increase will be a mere Fl 1bn in 1979. Increased taxes on energy, cigarettes and motor vehicles are planned. A large sum will also be obtained by ending the temporary profit deduction of 3 per cent from income and corporation tax (a measure taken pending a decision on the implementation of the Hofstra inflation-accounting proposals), and scrapping the temporary VAT reduction for newspapers, periodicals and some cultural activities.

House sales tax will be upped, and income tax for the poorest paid will be lowered. Non-tax revenues should rise again, although income from natural gas is expected to yield only Fl 6.3bn next year instead of the Fl 6.8bn previously forecast. Measures proposed by the Government include a regulation of the labour market in order to bring supply and demand more in line, early retirement and energy conservation, for which a total of Fl 1.5bn is set aside. Aid to ailing companies will be phased out, and the freed funds will be used to strengthen and develop industries with good economic prospects.

Against a gloomy economic outlook, Holland's Centre-Right Government yesterday unveiled a budget designed to tackle falling business profits, unemployment and, of particular concern to the administration, the "perceptible worsening" of the Dutch competitive position.

part through wage moderation, and 9 per cent in 1976. Despite these improvements, however, as well as a "considerable" rise in jobs in Government and public sectors, the number of unemployed will still rise by 10,000 to 215,000 next year.

The Government-financed Central Planning Bureau forecasts in its 1979 macro-economic study that the Dutch balance of payments (current account) should show a surplus of Fl 1.5bn next year, treble the 1977 surplus. Next year's surplus is still dwarfed by the 1976 surplus of Fl 7.5bn.

The budget proposals show that overall expenditure will top the Fl 100bn mark for the first time next year. Expenditure, at Fl 105.1bn, will be up Fl 8.1bn on the expected expenditure in 1978, while total revenue rises by Fl 5.5bn to Fl 88.9bn. Blueprint '81 said the policy was designed to halt the growth of the public sector share of national income by 1981. Its share has risen rapidly in the past, particularly in the 1970s when a Socialist-dominated Cabinet was in power.

Public sector growth will be limited by Fl 10bn in the 1979-81 period, with the cut next year amounting to Fl 3bn of the total cut, Fl 6.5bn will be in social security, health care and the salaries of public sector employees (Fl 2bn in 1978) and some Fl 3.5bn will be found in the area of public expenditure on roads and services (Fl 1bn). Of next year's income policy, the budget memorandum states that "with the co-operation of employers and employees" it should be possible to limit wage increases for private sector employees to 5.5-6 per cent in 1979. This compares with 7.5 per cent in 1978.

SWISS INDUSTRIAL production in the second quarter of the year was 3 per cent higher than in the corresponding period of 1977. Provisional Government figures put the index level at 150 (1963=100), although this is still below the 157 points recorded in the final quarter of last year and hardly above the average for calendar 1972.

Sectors in which output fell over the past year included clothing, manufacturing, by 3 per cent, and the watch and jewellery industries, by 3 per cent.

In other key industries, engineering and textiles each showed a 5 per cent increase over the second quarter of 1977 and chemicals a rise of 6 per cent.

Denmark has signed a state loan contract totalling 130bn with a group of Japanese banks. The Danish Finance Ministry said the loan would run over 12 years with an annual interest rate of 6.7 per cent, AP-DJ reports.

Editorial comment, Page 22

Polish church plea

Poland's Roman Catholic Church renewed a call yesterday for access to radio and television and denounced the one-sidedness of the staff-controlled mass media.

Reuter reports from Warsaw. The message was conveyed in a pastoral letter, signed by the country's cardinals and bishops and read out from the pulpits of all Catholic churches in the country. Mr. Kazimierz Kalko, head of the Government's Religious Affairs Office, said recently that a request to broadcast the Mass for the sick was being considered. He ruled out the use of radio and television for evangelisation.

Rise in Swiss production

By John Wicks

ZURICH, Sept. 18.

## Portugal ship strike deadlocked

By Our Own Correspondent

LISBON, Sept. 19.

ONE OF the longest lasting strikes in Portuguese labour history entered its 53rd day today with few signs that it may soon be resolved.

The 112-ship merchant navy has been on strike since June 30 over workers' demands for a 20 per cent overall wage rise and better working conditions.

Industry sources estimate that the shipping companies have suffered losses estimated at \$2bn (\$22m) through the strike, and because 98 per cent of the fleet belongs to two nationalised companies, the State is footing the bill.

The seamen have rejected an employers' offer of an 11 per cent rise and deadlocked has followed with the employers steadfastly refusing to negotiate. The difficulties have been compounded by the political crisis which occurred at the end of July and remains unresolved.

The employers say it is up to the State to mediate in the dispute, but mediation machinery has been badly disrupted by the upheavals in government.

The strike has had serious effects on the transport of supplies to various parts of the country especially the mid-Atlantic island possessions of Madeira and the Azores. The regional governments of these two autonomous regions have chartered foreign ships to maintain vital oil and food supplies for their population but at a high cost in precious foreign exchange.

Oil and other supplies to the southern Algarve region were also badly disrupted at the height of the tourist season and at one time there was a severe shortage of aviation fuel for the heavy charter plane traffic into Faro airport, the centre of tourist traffic on the South Coast.

Supplies by road and rail have now eased the situation. There are signs that the Communist-backed Intersindical, a central trade union confederation, has tried to mediate in settling the dispute but the powerful seamen's union has stuck resolutely to its guns.

E. German union urges special extra day's work

By Leslie Collitt

BERLIN, Sept. 19.

EAST GERMANY'S state trade union has called on all the country's workers to put in an extra day's paid work next month to "prepare for the thirtieth anniversary of the German Democratic Republic" next year.

This is the first time in decades that East German workers are being asked to contribute "voluntary" overtime on a weekend, although groups of factory and office workers are regularly called on to take part in "subtournaments" or unpaid work.

The move comes in an appeal made by the shop stewards of the Free German Trade Union (FDGB) at an East Berlin factory. The men are shown in a photograph on the front page of the Communist Party newspaper, Neues Deutschland, voting "unanimously" for the extra day's work.

Behind this attempt to raise productivity lies the lag in East German industrial growth, which slowed to 4.2 per cent last year. In the first six months of this year the growth rate was 5.2 per cent, while the target for this year is 5.7 per cent.

East Germany has given 20 per cent of its 8m workers shorter working hours, one cause of the difficulty in meeting target figures for export and domestic consumption. Workers on double shifts have had their week reduced from 43½ hours to 42 hours, while workers on triple shifts now put in 40 hours against 42 previously. Holidays have also been extended by three days.

In addition, working mothers with two children now put in a 40-hour week, against 43½ hours before. Income also increased faster last year than planned, as a result of higher pensions being paid and increased overtime—so that more money is now chasing a limited number of goods.

Swedish nuclear crisis still unresolved

By John Walker

STOCKHOLM, Sept. 19.

SWEDEN'S NUCLEAR energy crisis shows no signs of being resolved, and the Prime Minister, Mr. Thorbjörn Fälldin, has categorically refused a compromise solution.

The present problem hinges on two more plants now ready for commissioning. The Government must decide whether or not they are to be fuelled and started up. A further two are nearing completion and others are progressing rapidly.

Since coalition two years ago, the Centre, Liberal and Conservative parties have differed on nuclear energy policy. Mr. Fälldin, the Centre party leader, has committed himself to stopping Sweden's nuclear power expansion because of what he feels are the dangers and problems involved in nuclear power.

The Liberals and Conservatives think that Sweden's high living standards will suffer without nuclear power stations. But the Prime Minister has made it plain he is not budging. Mr. Olaf Palme, the opposition leader, is promising a no-confidence vote if the Government does not reach a decision by the time Parliament reassembles early in October.

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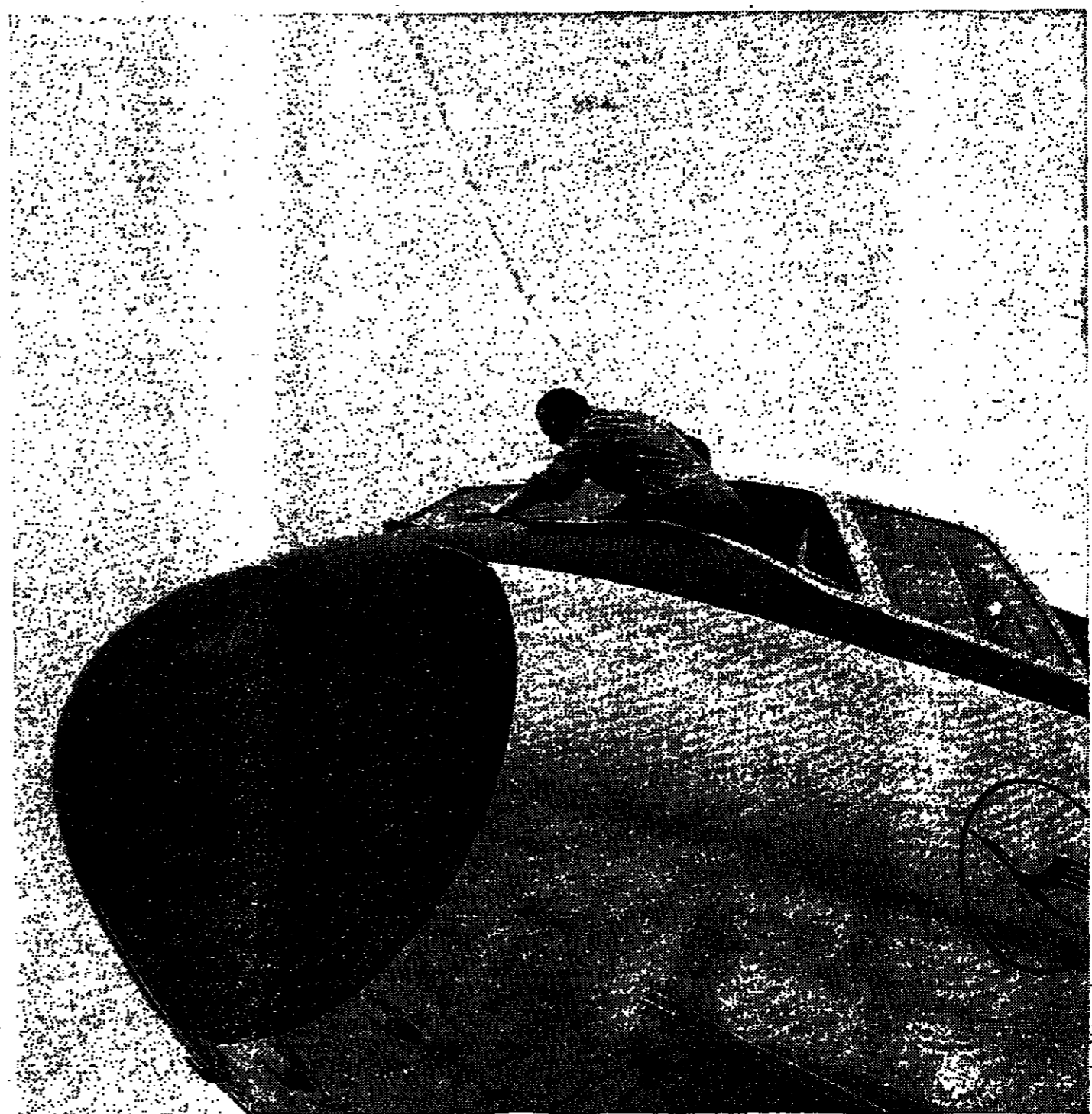
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## AMERICAN NEWS

## Strauss promises tough package to fight inflation

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, Sept. 19.

MR. ROBERT STRAUSS, President Carter's adviser on inflation, promised today that the second stage of the Administration's attack on inflation would constitute the toughest possible programme short of mandatory controls.

He said that the President would probably start reviewing a list of written options today. Mr. Carter would drop some hint of the likely shape of the new policy tomorrow when he is due to address the conference of the Steelworkers' Union in Atlantic City, New Jersey.

Before the same forum yesterday, Mr. George Meany, the president of the AFL-CIO grouping of unions, publicly warned the President against imposition of what has become the most popular option of his advisers—voluntary wage and price guidelines.

Mr. Meany said, "Whether these controls take the form of guidelines or whatever, once the Federal Government sets the figure, that figure becomes the ceiling for workers and workers are stuck with it."

"In the past," he said, "workers have been called upon to sacrifice to fight inflation, and they have. But the corporations and the bankers never did their share and there's no evidence they're ready to do it now."

If Mr. Meany was warning the Administration that a second stage anti-inflation programme would have to be even handed in its approach, he probably found receptive ears among some of Mr. Carter's advisers. There are two basic schools of thought in the Administration on

the next anti-inflation moves. The economists generally favour guidelines while the political strategists are worried that they might provoke a damaging confrontation with organised labour that could do more political harm to the President.

Mr. Strauss steered something of a fine line between the two camps this morning in listing some of the actions the President might take. He suggested there might be more wage and price targets, greater pressure on industry to hold the line on prices and perhaps changes in government procurement policies in accord with a general programme of economic anti-inflationary measures.

The final decision rests with the President, of course, and he has been too occupied with the Middle East summit at Camp David over the past fortnight to turn his mind to the economic question. What is known is Mr. Carter's opposition to mandatory controls on wages and prices, but beyond that his preferences are unclear.

He has already presided over two anti-inflation programmes, last year and this, neither of which has been considered successful. It is a fair bet, therefore, that whatever is unveiled in the course of the next few weeks will have more teeth than the earlier programmes.

Time is not on the President's side, and this, known to some of Mr. Carter's advisers, is a major round of wage negotiations.

## Deficit on current account is halved

By Our Own Correspondent

WASHINGTON, Sept. 19.

THE U.S. current account deficit in the second quarter of this year was less than half that of the first three months, the Commerce Department announced today.

The shortfall in the April-June period was \$3,266m, compared with a revised \$6,866m in the first three months and a record \$6,976m in the final quarter of last year.

The improvement was largely the result of a narrower merchandise trade deficit in the second quarter, when the trade account was in deficit by \$7.8bn, against \$11.2bn in the first three months.

Last year's current account deficit was a record \$15,270m. Largely because the trade deficit is running at a higher rate this year than last, the Administration has forecast that the 1977 record shortfall is likely to be exceeded in the present year. Given the fact that the six months deficit has already passed \$10bn, the prediction seems well-founded and could only be upset by the most startling reversal in the balance of trade over a good start to the last half of the year.

Some narrowing of the trade deficit is expected by the Administration in the months to come and, as noted in its annual report published earlier this week, by the International Monetary Fund. However, in July the trade shortfall was almost double that of June, hardly making a god start to the last half of the year.

In reporting on capital flows today, the Commerce Department found a marked slowing down in the second quarter in both the rise in foreign assets in the U.S. and the rise in U.S. assets overseas.

The former increased by only \$200m in the second quarter compared with a \$18.1bn surge in the first three months, whereas the outflow of U.S. investment abroad dropped to \$5bn compared with \$15bn in the first quarter.

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## THE MIDDLE EAST

## Sadat expected to make top-level changes

BY ROGER MATTHEWS

CAIRO, Sept. 19.

THE EGYPTIAN Cabinet met today under the Prime Minister, Mr. Mamdouh Salem, in order to give its formal blessing to the Middle East peace agreements reached by President Sadat, while intense speculation continued in official circles over the reasons for the resignation of Foreign Minister Mr. Mohammed Ibrahim Kamel.

Mr. Sadat is expected to make major changes at the most senior levels of government soon after his return from the United States. He may decide to abolish the post of Prime Minister, a move which would mean the Foreign Minister to ensure that he maintains close control over the detailed negotiations with Israel that are due to precede the signing of a formal peace treaty within three months.

The government-owned Press predicted the achievement of the President Sadat today, but the editorials were rather less than euphoric, a feeling that appears to be mirrored by the general public. After decades of hostilities, it is hardly surprising that many people are still more actively searching for the snags than praising the achievements. The editor of Al-Ahram warned today that difficult negotiations still lay ahead, particularly on Palestinian rights and the future of Jerusalem.

In the absence of the former Foreign Minister, Mr. Kamel, who has not yet returned from the U.S., his friends and colleagues have been comparing the pre-Camp David Egyptian position with the text of the final agreements for clues as to his resignation. Mr. Kamel's departure has particular significance for some because of his unwavering Egyptian patriotism, counteracting what will undoubtedly

be strong pressure from Syria and the Palestine Liberation Organisation (PLO) to keep him out.

If the mayors and other civic leaders in the West Bank and Gaza Strip reject the Camp David accords, either because of their own convictions or due to external pressures, the possibility of credible Palestinian representation in any future negotiations will recede still further.

Officials at the Arab League, meanwhile, are deeply concerned not just at the apparent widening of divisions among the Arab nations, but at the isolated position into which President Assad of Syria has been thrust. A swift visit by Mr. Assad to Saudi Arabia can be expected and he will also be extremely anxious to come up

At official level there is scarcely less concern over the attitudes of Jordan, Saudi Arabia, and to a lesser extent Kuwait. It is felt here that King Hafez al-Assad of Syria has been in the negotiating process unless he receives the full backing of Saudi Arabia, in order to counteract what will undoubtedly

The Camp David accords leave the settler movement in a highly nervous state. Whether permitted to go ahead with new projects or not, few settlers will relish the idea of building in areas which might, under the Camp David outline prescription, be evacuated by Israeli troops and left to the protection of an Arab security force.

In spite of the large number of heavy hearts in Israel over the idea of abandoning the Sinai settlements and airfields, there seems little doubt that the accord for peace with Egypt will win the day in the Knesset.

What is far less clear is how negotiations will fare on the West Bank. The settlement movement has a strong ideological significance, inasmuch as they were regarded as the advance guard of a Jewish population movement over the entire land of Israel.

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## Israel's choice: Sinai or peace

BY OUR OWN CORRESPONDENT

TEL AVIV, Sept. 19.

ISRAEL'S Foreign and Defence Ministers, Mr. Moshe Dayan and Mr. Ezer Weizman, returned from Camp David today to prepare the ground for the crucial debate in the Knesset on whether Jewish settlements in northern Sinai should be abandoned in exchange for peace.

In Mr. Weizman's eyes the choice was simple: peace with Egypt or settlements in Sinai. He made it crystal clear which course he favoured.

"After 30 years," the Minister told reporters at the airport, "we now have a chance for a real peace agreement, normalisation of relations, social, diplomatic, everything. This is the chance we have all

been waiting for and fighting for."

Mr. Dayan agreed. A Knesset vote to scrap the settlements, he said, could bring peace with Egypt in three months. What was far less clear was the future of settlements on the West Bank. The Sinai settlements were regarded as a defensive barrier, while the West Bank settlements had a strong ideological significance, inasmuch as they were regarded as the advance guard of a Jewish population movement over the entire land of Israel.

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## OTHER OVERSEAS NEWS

## Hope for accord on UNCTAD fund

A fair chance exists of reaching basic agreement on the proposed common fund to stabilise commodity prices in Geneva today, UNCTAD officials said.

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## Cabinet delays announcements on Vorster and Namibia issues



# FEEDING THE FIVE THOUSAND... THOUSAND... THOUSAND

The world grows at the rate of 175,000 extra mouths to feed, every day. To keep them fed can't depend on miracles, but on skills and technology.

BP Chemicals make a significant contribution to this - helping to increase food production and to make better use of existing resources. Our acetic and propionic acids are vital constituents of herbicides that eliminate the weeds that choke fields of corn, reducing their yield.



We are always striving to develop

further uses for our acids in the service of the community. For example, with our formic acid, fishing fleets can now preserve fish offal by a technique new to the UK, and so make it available for animal feedstuffs.

BP Chemicals manufacture these acids in the largest complex of its kind in Europe. These products are important, not only for helping to feed the world, but also for pharmaceuticals needed to fight disease and improve health standards, and for textiles needed to produce more and

better quality clothing.

BP Chemicals are one of the founders of the European petrochemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply.

This, together with our continuing investment in resources, service and product range, ensures that we continue to meet the needs of industry today, and the demands of the world tomorrow.

**BP chemicals-making it all happen**

## WORLD TRADE NEWS

## Japan car exports to UK continue to decrease

BY CHARLES SMITH

JAPANESE CAR exports to the UK in August were down from the previous month's level. This is the second month in succession that shipments to the UK have fallen and follows a 20 per cent drop in shipments during the second quarter of this year compared with the first quarter. Car exports in August were also down on the same month of 1977. Shipments of passenger cars totalled 10,020 units as compared with 12,900 units in July and 10,390 units in August 1977. For commercial vehicles the figures were 1,505 units compared with 2,744 in July and 2,712 in August 1977.

The figures suggest that the Japanese industry may at last have started to bring its shipments into line with the written undertaking given by the Ministry of International Trade and Industry early this year to freeze 1978 exports at 1977 levels. There will have to be more and bigger cuts before the end of the year, however, if the MITI promise is to be fulfilled.

Shipments of passenger cars for the first eight months of the year totalled 108,395 vehicles compared with 97,300 cars shipped in the first eight months of 1977. In the case of commercial vehicles the 1978 January to August figure is 22,144 vehicles compared with 16,700 in the same period of 1977.

In order to make sure that the commitment to freeze shipments

is adhered to MITI is believed to have allotted export "quotas" to individual Japanese motor manufacturers selling in the UK. Nissan Motor, traditionally the top Japanese exporter to the UK, was apparently asked to cut its shipments below 1977 levels so as to make room for shipments of cars by two newcomers to the market, Daihatsu and Fuji Heavy Industries.

Most other manufacturers are reported to be under instructions from MITI to keep shipments at or near their 1977 levels. Actual shipment figures for the first eight months of the year show Nissan running slightly ahead of its 1977 performance (72,260 vehicles compared with 69,379 last year). Figures for other companies are: Toyota 21,454 vehicles (17,111 in the first eight months of 1977); Mazda 12,489 (10,130); Honda 12,287 (10,994); Mitsubishi 7,812 (5,881).

Daihatsu and Fuji, entering the UK at the beginning of the year, have so far shipped 1,033 cars and 1,611 respectively. Japanese car manufacturers continue to claim that shipments will fall drastically as the revaluation of the yen produces its full impact on orders. The Ministry of International Trade and Industry gave a written undertaking to the British Government last spring that Japan would hold its shipments of both cars and commercial vehicles to Britain at

1977 levels. The MITI undertaking followed talks between the Society of British Motor Manufacturers (SMMT) and the Japan Automobile Association (JAMMA) in which it was agreed privately that passenger car shipments would be held at 1977 levels while commercial vehicle exports would be "watched carefully." The JAMMA-SMMT agreement was not, however, spelled out in the communiqué published after the meeting of the two associations.

Japanese cars are likely to take a substantially smaller share of total UK registrations in 1978 the industry claims, since the market as a whole will have expanded. Kenneth Gooding writes: Sales of Japanese cars in the UK up to mid-September have already topped the 141,000 registered for the whole of 1977, thanks to the heavy stocks built up in Britain before the ban on increased shipments took effect.

There is still no indication about what might happen in 1979. Discussions between the UK manufacturers and the Japanese have been delayed partly by preparations for the International Motor Show to take place at Birmingham next month. Current indications are that there will be industry-to-industry meetings about possible future restrictions on car shipments from Japan in London early in November.

## Chile seeks fighter aircraft from India

BY D. P. KUMAR

NEW DELHI, Sept. 19.

CHILE HAS approached India for the purchase of about 100 Hunter attack aircraft, offering to pay for them in hard currency or gold. It has also sought spare parts and avionics that India has fitted in the aircraft.

The government is considering the offer, received last month, as it would partially meet the cost of buying deep-penetration strike aircraft for the Indian air force, about which the Cabinet has already decided in principle.

If the Chilean offer is accepted, the Hunters will be supplied in stages. India has a choice of buying the Swedish Viggen, British Jaguar or French Mirage-F1, but the Government is yet to choose.

The Chilean Government reportedly felt that the performance of the Hunter jet fighter/

ground attack plane was impressive in the 1965 and 1971 Indo-Pakistan conflict. It also served the NATO forces until 1967.

Hugh O'Shaughnessy adds: The Chilean search for arms comes at a time of increasing tension with Argentina over control of three islands in the Beagle Channel, sovereignty over which is claimed by both countries. With many of the world's principal arms suppliers, including Britain, unwilling to sell to the Chilean military junta it has been having difficulty in keeping its forces in trim. In the past Chile has sought air force equipment from Jordan.

Last Friday 300 Argentine soldiers penetrated over the border in Chilean Patagonia. The Argentines explained the incident as a map reading error.

## Ireland's deficit worsens

BY STUART DALY

DUBLIN, Sept. 19.

FOR THE second month running, Ireland recorded a disappointing set of trade figures with a deficit of £89.3m for August. This took the deficit for the 12 months ending in August to £672.5m, a record.

Partly to blame for the poor performance were soaring imports which increased by 30.4 per cent in August to £305.3m. This meant an impor-

bill for the eight months of this year of £2.5bn, a rise of 18.6 per cent over the comparable period in 1977.

Much of the increase came from the larger influx of consumer goods in line with the country's buoyant economy. Foreign car imports increased to 52.5 per cent, while clothing and footwear imports were also higher.

## EEC extends steel surveillance

BY GILES MERRITT

THE EEC Commission's powers to impose heavy penalties on companies undercutting the mandatory minimum price structure is to be extended for a further two months. But the decision reached at today's Foreign Ministers' Council reduces the three-months extension originally proposed by the Commission, and will also subject the present powers to a number of modifications.

The system for enforcing the price discipline that is a major part of the so-called Davignon Plan is also to be made more flexible following objections to the scheme which have come notably from Italy. But it is clear that the use of spot fines will continue into next year.

Following today's ministerial meeting, Mr. Edmund Dell, the British Trade Secretary, said that in addition to the forthcoming modifications of the penalties, studies were also being carried out that would further amend the penalties during 1979.

Under the special surveillance system, which came into effect on July 1 for a three-month period, border authorities in the Community could demand cash deposits if it was suspected that a steel consignment was priced below established minimum prices, which are being applied to concrete reinforcing bars, merchant bars, wire rod and coils.

The Council today agreed that during the five-month extension period, actual cash deposits will not be required. Instead, if there is any suspicion that an exporter's shipment is violating the minimum price regulations, his

pledge to pay a deposit will be accepted. This pledge must be counter-signed by a bank acceptable to EEC authorities, and EEC authorities must decide within four days whether the consignment actually violates minimum price rules. At the moment a decision on a consignment could take up to three weeks while the deposit is held. Mr. Dell also indicated that the British Government has now

dropped its earlier threats to take unilateral action and agreed the Organisation for Economic Co-operation and Development's steel committee. Unless all pending U.S. anti-dumping cases against European companies were withdrawn. Although one anti-dumping application against British Steel, by Arcon Steel, is still current, Mr. Dell made it plain that the withdrawal of the remainder had now helped defuse the problem.

## China, Australia talks

BY LAURIE OAKES

CANBERRA, Sept. 19.

THE AUSTRALIAN Deputy Prime Minister, Mr. Douglas Anthony, predicted today that Australian minerals and metals exports to China would rise to record levels next year as a direct result of a visit by Chinese buying mission.

He said, however, that details of sales were confidential, all companies which had negotiated with the seven-man mission reported fruitful results. Mr. Anthony also announced that the Chinese Minister for Foreign Trade, Mr. Li Chang, would make a ten-day visit to Australia in October, and that the Chinese Vice-Minister for Metallurgical Industries, Mr. Hsu Chih, would be making a two-

week visit from October 8. Acceptance of invitations to visit by Mr. Li and Mr. Hsu is interpreted in Canberra as confirmation of China's interest in furthering its trade in metals and minerals.

The buying mission, led by the deputy managing director of the China National Metals and Minerals Import and Export Corporation, Mr. Pi Y. Xiang, left Australia today. Mr. Pi had confirmed to him during discussions that China would continue to look to Australia as a major source of supply for raw materials and metals required in the development programme.

## Soviet-Iran power project

BY DAVID SATTER

MOSCOW, Sept. 19.

IRAN HAS reached agreement with the Soviet Union for the construction of an 800 megawatt electricity generating station to provide energy for the burgeoning industrial district around Isfahan.

The power station, which is to consist of four blocks with a generating capacity of 200 megawatts each, is to cost \$410m and will be paid for with Iranian work on power generating exports. No cash was involved in the deal.

The contract for the power station was signed in Tehran with the Technopromexport Soviet trading organisation and it is understood that Poland and Hungary will help with the construction. All of the electricity produced, however, will be for Iranian domestic consumption.

Iranian sources said that there is no shortage of electricity in Iran, but planned increases in the demand for electricity required enough power station construction to provide for a steady increase in supply.

The Soviets are already deeply involved in the Isfahan area, having built a steel complex there. They are presently working on power generating station in Ramana.

Agreement was reached this spring on Soviet construction of the northern third of the new trans-Iranian gas pipeline which is to form part of a Soviet-Iran network which will carry 12bn cubic metres of gas a year to West Germany, France, Austria and Czechoslovakia beginning in 1981.

## French credit for Poland

BY CHRISTOPHER ROBINSON

WARSAW, Sept. 19.

M. JEAN DENIAU, the French Foreign Trade Minister, ended a one-day visit to Warsaw yesterday with a promise of an extra FF7.15m (\$9m) worth of French credits for Poland.

This is in addition to the sum of FF7.350m (£40m) of credits previously agreed for this year. The new credits are to be used for purchases of semi-finished steel products, chemical products and textiles.

Additional amounts of French grain may also be bought on top of the 600,000 tonnes already contracted this year.

The trade talks, which preceded a semi-private visit, next

weekend by President Valéry Giscard d'Estaing, also discussed an agreement to facilitate trade between small and medium size companies.

Polish trade figures for the first seven months of this year show that Poland has cut its deficit with France to \$13.6m, compared with \$12.1m in the same period last year.

Trade turnover in this period dropped by 8.6 per cent over the same period in 1977 but France has kept its share of Poland's second-hand goods currency export market after West Germany.

The Polish trade deficit with France in 1977 ran to \$168.5m.

## PLOVDIV FAIR

## Bulgaria's hopes

BY A SPECIAL CORRESPONDENT

THE EAST EUROPEAN trade fair, while it is principally a national celebration of economic progress, provides Western companies with the principal shop window for sales to countries where the foreign trade monopoly is strictly held by the Ministry of Foreign Trade. The International Fair at Plovdiv, which closed last week, in common with similar events at Leipzig and Brno, was a truly international event with 46 countries participating. Bulgarian products, however, dominated the fairground.

For the 15 official British stands, representing a total of 30 companies, the level of serious enquiries made during the fair was encouraging for future business prospects, although Anglo-Bulgarian trade has never matched the almost euphoric atmosphere of the last three years, following the conclusion of the major contract with Cadbury-Schweppes for the manufacture of soft drinks in Bulgaria.

The more sober assessment of trade prospects with Bulgaria was possibly reflected by the fact that British participation at the fair has declined, although this does not necessarily imply that trade levels will drop.

Bulgaria's heavy dependence on Comecon, and particularly the Soviet Union, evidently limits Western exports to areas of technology, which are either not produced in Comecon or where there is not sufficient capacity available for export to Bulgaria. There is, however, a definite willingness to expand trade with the West further, but as Mr. Asparuh Mladenov, general director at the Bulgarian Chamber of Commerce admitted, the most important problem lies in raising the level of Bulgarian exports to the West.

To Bulgaria, the long-term deficit in its trade with Britain has traditionally been the major factor hampering an expansion of trade, although Bulgaria's export figures for the first six months of this year were encouraging, showing a total increase up to £10.4m from £6.9m for the same period last year. However, the largest single increase here was in steel products and coils, which have recently been introduced restricting future exports to Britain.

But Bulgarian officials repeatedly stated that a more serious approach will be made in marketing efforts in Western countries.

although large quantities of Western companies will necessarily involve a large amount of co-operation and buy-back.

For Britain, the major export hopes lie in GKN's bid to supply a £30m forgings and castings plant in Pernik, although there is competition from Japanese and French companies. A proposed long-term co-operation with the National Coal Board for co-operation in developing the Dobruzha coal area and the now almost historic agricultural complex in Silistra, where according to Bulgarian officials British companies still stand a chance of winning individual contracts. A recent emphasis on computerisation, particularly in industrial agriculture complexes, should also provide possible contracts.

There are also good opportunities for business in co-operation with Bulgaria on joint projects to be built in developing countries.

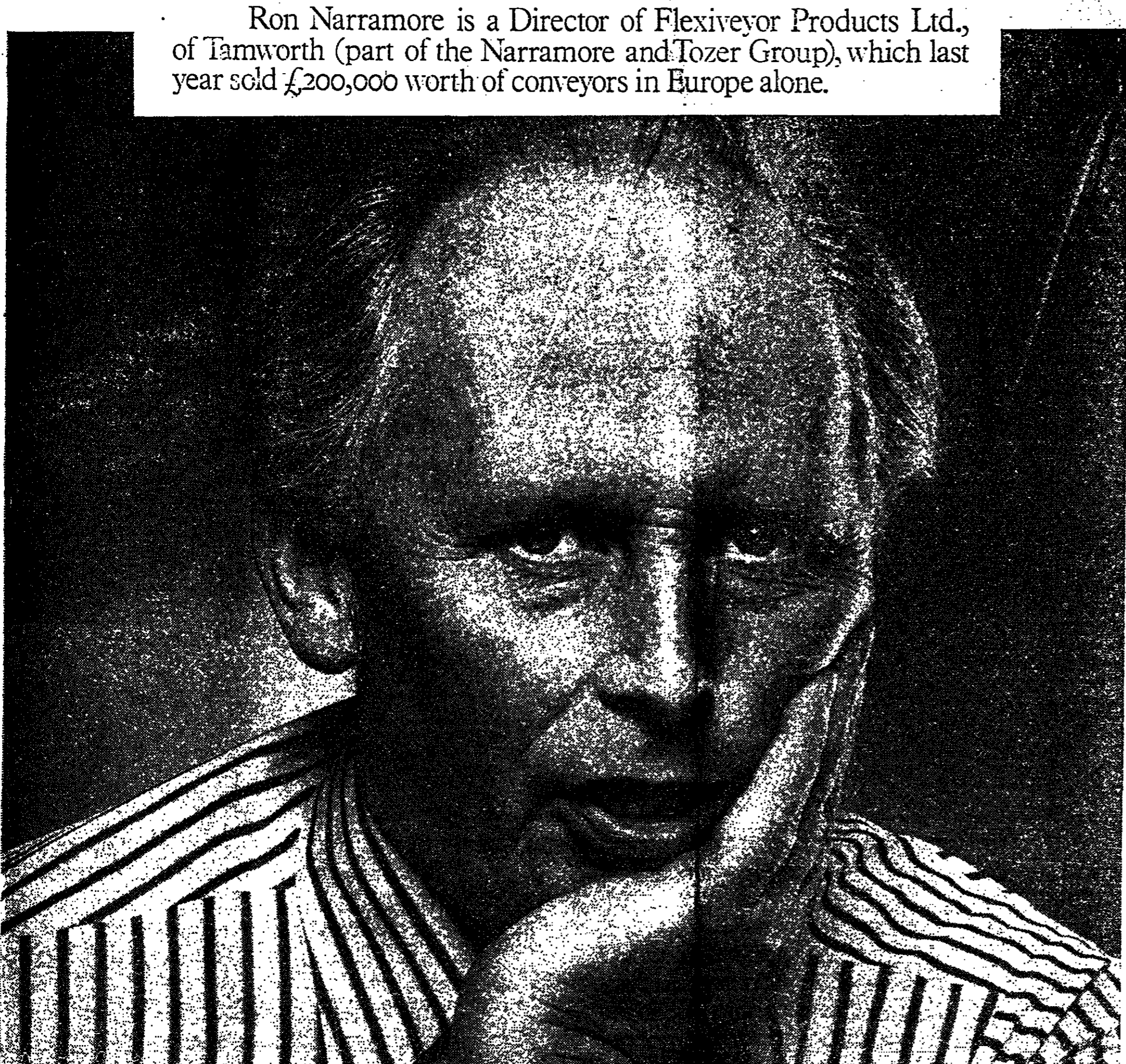
But trade growth will be slow. Certain projects planned for the current Five-Year Plan have now been "frozen" or held over to the next Five-Year Plan starting in 1980. Uncertainty over Western markets for Bulgarian exporters will also undoubtedly hinder trade expansion.

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ECGD INSURANCE FOR BRITISH EXPORTERS.

## HOME NEWS

## NRDC electronics backing up 37%

BY DAVID FISHLICK, SCIENCE EDITOR

THE National Research Development Corporation has sharply increased its investment in advanced technology—especially in electronics ventures—by 37 per cent last year.

But general mechanical engineering is a depressed area, "less and less productive of ideas," said Mr. William Makinson, NRDC's managing director, presenting its annual report yesterday.

The report shows that in spending £28m on new projects last year, the NRDC has funded seven new joint ventures with industry at levels exceeding £100,000, and provided further finance of £100,000 or more to another four joint ventures already established.

It is the fourth successive year that its investment in new ventures has increased; the result of a drive to publicise more widely its specialised banking services for innovative industry and private inventors.

The NRDC is a State-owned merchant bank set up in 1948 to develop and exploit inventions, responsible to the Department of Industry. It has borrowing powers from the Government of up to £50m.

The NRDC Board now has the freedom to invest up to £250,000 in a project without reference to the Secretary of State. This means that in partnership with industry, it can back projects with up to £500,000 on its own initiative.

Last year it provided finance for 85 new development projects, bringing to 440 the number of projects it is backing.

New projects involving NRDC investment of £100,000 upwards include an automated farm management system, in partnership with R. J. Fullwood and Elms; and a diver lifeboat chamber, in partnership with Seaforth Maritime.

The corporation has also made additional investments exceeding £100,000 in the miniature TV receiver project of Sinclair Radi-

## High-radiation parts being taken from Dounreay reactor

BY OUR SCIENCE EDITOR

BRITAIN has begun to dismantle its experimental fast reactor at Dounreay, Scotland. Parts subjected to some of the highest radiation of any material anywhere in the world have been removed. Sir John Hill, chairman of the UK Atomic Energy Authority, told an international nuclear meeting in Vienna yesterday.

Sir John, addressing the general conference of the International Atomic Energy Agency, attended by more than 30 nuclear nations, said Britain was gaining first-hand experience of the problems of decommissioning obsolete nuclear stations.

The Dounreay fast reactor was shut down 18 months ago, after 17 years' operation as the forerunner of the 250 MW prototype fast reactor half-a-mile away on the same site.

The radioactive parts removed are being closely studied for signs of radiation damage, but eventually will be buried as low-level radioactive waste.

One of the most important aspects of the environmental impact of nuclear energy related to the safe decommissioning of nuclear facilities, said Sir John. The UKAEA had already removed the radioactive liquid

## BL Cars to switch Abingdon factory

By Arthur Smith, Midlands Correspondent

BL CARS announced last night that the MG factory at Abingdon, with 1,200 workers, is to be transferred from Austin Morris to Jaguar Rover Triumph.

The company said MG had traditionally been linked with Morris but would fit more logically into the JRT structure. The specialist car company, with its low volume products, was better suited to MG.

JRT is responsible for all BL Cars sales to North America—the market which accounts for about 75 per cent of the 45,000 MG cars made each year.

Transfer of TR7 assembly from Speke to Canley, Coventry, is reported to be on target and the production lines are expected to start within the next few weeks.

## Backing for men's shops expansion

INDUSTRIAL and Commercial Finance Corporation (ICFC) has provided £150,000 for Ray Alan (Manshops), a Leeds-based menswear chain, to expand.

Ray Alan sells men's fashion clothing in 46 shops throughout Yorkshire and the North-East. The expansion programme is for a new warehouse and offices.

ICFC said yesterday that Ray Alan has shown a 350 per cent sales increase in the five years to 1977.

## Company plans big increase in workforce

A NORWICH women's clothing manufacturing company which began with five employees nearly four years ago, plans to increase its work force by 200 over the next few months. The company, S. M. C. Fashions, now with 120 employees, has recently taken over premises in Aylesham Way, Norwich. It specialises in women's skirts and trousers.

## Plan for heavier lorries attacked

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

THE European Commission is criticised today for failing to examine fully the environmental implications of its proposals for raising the maximum permitted weights of lorries.

According to a report from the House of Lords Select Committee on the European Communities, this is just one example of the Commission's failure to apply its own revised objective of setting transport policy in a wider social and regional context.

The Commission is working on a compromise formula on lorry weights, which will probably set a new maximum of 45 tonnes, compared with the present British limit of 32 tons.

The committee says that any change in policy on this subject should be accompanied by an "authoritative assessment" of environmental consequences, which the Commission has so far failed to produce.

The committee applauds the attempt of Mr. William Rodgers, Transport Secretary, for his attempt during Britain's presidency of the Council to raise the level of the transport debate above detail and trivia.

But it says that a general tendency to denigrate the work of the Community in transport matters is unfair. Formulation of a common transport policy was bound to be more problematic than the common agricultural policy and efforts so far have produced useful, if embryonic guidelines.

Lords Select Committee on European Communities: EEC Transport policy. Lords Paper 255. SO £1.35.

## Icons realise £84,425 at Christie's

CHRISTIE'S opened its 1978-79 season yesterday with morning and afternoon sales: English drawings and watercolours selling before lunch for £28,936, with icons making £84,425 later in the day.

Two watercolours by Thomas Bush Hardy, a marine painter born in Sheffield in 1942, were the highest-priced lot in the morning at £800. Both were depictions of Venice and dated 1982. McInnes, the London dealer, paid £700 for Raising the Wind, by Edgar Bundy and £600 for two views of France by Thomas Coleman Dibdin. In other lots, an anonymous buyer paid £450 for another Bundy, after the Duel and Harinoll and Eyre, the

London dealers a similar sum for a pair of ornithological watercolours by the Company School. In the afternoon, a German dealer, paid £2,900 for a late 18th century Russian composite icon while a 17th century Russian icon of The Transfiguration realised £2,100. A calendar icon of the 19th century went for £1,500 and a Triptych for the same sum.

In London, Bonhams sold silver yesterday for £12,329 with an unusual set of four candlesticks, mounted on deer's feet, making £195 and a late 19th century silver box £115. At Christie's South Kensington a pair of 16th century Spanish dalmatics, ecclesiastical clothes, sold for £2,100 while a linen stomacher of about 1730 made £180. Forty items belonging to the late dowager Duchess of Marlborough realised £1,473. A dress designed about 1910 by

## U.S. expert foresees expansion until 1981

BY DAVID FREUD

THE present expansion of the U.S. economy could continue until 1981, Dr. Carl Shilling, head of a large New York economic consultancy, told a London conference yesterday.

He was speaking to a seminar organised by the City stockbrokers, Capel-Cure Myers.

He said the present upturn in the business cycle had lasted 34 years, and because this was the extent of most previous booms most people expected a downturn to start shortly.

But recessions were caused when some element in expansion, such as inventories or consumer spending, became unsustainable, and there was no evidence of this happening yet.

The depth of the previous recession had made people cautious, and the present level of growth was sustainable. There were no signs of excess in inventories and the high level of individual debt was not as ominous as it seemed, because the "baby-boom generation" had reached the high-debt age.

The greatest risk of the expansion getting out of hand came from the U.S. Administration's inflationary policies, typified by farm support and steel import trigger prices.

He thought it more likely than not that the Administration would be pressured by the Federal Reserve, the fall of the dollar, and a popular anti-tax movement into an anti-inflationary policy within the next few months.

If that happened, and if an adequate energy Bill was passed, then the present expansion of the U.S. economy was likely to continue until 1981, the dollar would stabilise, or even move up, and the Federal deficit be heavily cut.

## Hoechst opens Halifax plant

By Rhys David

A CHEMICAL factory, which replaces a textile processing plant shut last year, was opened yesterday at Halifax, West Yorkshire, by Hoechst, the West German chemical group.

The factory, part of an expected £3m investment programme at the site, consists of two units for the manufacture of surfactants and pigment dispersions.

It will eventually employ about 200 people and will serve as Hoechst's northern headquarters, incorporating technical service laboratories and warehousing facilities.

In the first year the products to be manufactured in the surfactants plant will be mainly auxiliaries for the textile industry.

Production at the plant will also include emulsifiers and demulsifiers, as well as intermediates for the cosmetic industry.

The pigment dispersion plant will convert concentrated dry pigment into colour dispersions for use in the paint, printing ink, wallpaper, textile and shoe industries, and will have a capacity of 300 tonnes a year.

## Orders not withheld, insists Marathon

BY RAY PERMAN, SCOTTISH CORRESPONDENT

MANAGEMENT AND shop stewards at Marathon Shipbuilders, the Clydebank oil rig yard, strongly criticised a Government Minister yesterday for suggesting that the Group's U.S. head office was deliberately withholding orders from its Scottish branch.

Marathon last week issued protective redundancy notices to its 900 workers but is negotiating against force international competition to secure new work to prevent the closure of the yard next spring.

At the beginning of last year the yard was saved by a speculative order from the Government for a £15m rig, but the money was recouped when the contract was taken over by the Penrod Drilling Company, which also ordered a second structure.

Last week Dr. Dickson Mabon, Minister of State for Energy, said that the Houston-based company had been bailed out by Britain but was refusing to transfer work from its yards in the U.S. and the Far East to keep Clydebank going.

Yesterday Mr. Joseph Craig, managing director of Marathon Shipbuilders, said that Dr. Mabon's comments ignored the realities of the rig-building industry.

He asked: "Does anyone really believe that Marathon can ask any of its clients to incur penalties in extra towage, insurance and loss of tax concessions of several millions of dollars to build in Clydebank something that is intended for operation in the Gulf of Mexico?"

Mr. Jimmy Reid, union convenor at the yard, said that the strong order books of Marathon's other yards were a result of the boom in exploration in the Gulf of Mexico and south-east Asia.

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## HOME NEWS

## Navy vessel in defence export voyage

BY MICHAEL DUNNE, DEFENCE CORRESPONDENT

A STRENUOUS effort by the Ministry of Defence to further UK exports of defence equipment starts today when the Royal Fleet Auxiliary vessel Faraday leaves Portsmouth on a three-month tour to countries as far apart as Greece and Colombia.

On board will be a "floating exhibition" comprising items of defence equipment from the Ministry of Defence, and a team of experts to promote sales after the tour is in progress.

The countries to be visited include Spain, Nigeria, Brazil, and others. The ship will return to Portsmouth on December 21.

## Smallpox centre 'should have been closed'

BIRMINGHAM'S SMALLPOX laboratory should have been closed before last month's outbreak, Dr. Hilda M. Mahler, director general of the World Health Organisation, said in London yesterday.

The research centre attached to Birmingham University was one of eight throughout the world that the organisation wants shut. Dr. Mahler, a Dane, said it was a disappointment that all such laboratories had not been closed last year.

Mrs. Janet Parker, aged 40, a laboratory photographer, whose home was at King's Norton, died after contracting the disease. Her mother is still in isolation.

The Birmingham laboratory was to close at the end of this year, leaving one smallpox laboratory in Britain, at St. Mary's Hospital, London.

Dr. Mahler, who attended the organisation's European regional committee meeting in London, explained that smallpox should be eradicated from the world next year.

## New guide for researchers

A NEW edition of the Department of Industry's booklet "Technical Services for Industry" was published yesterday.

The booklet is a guide to research establishments and provides a source of information or assistance for a wide variety of technical problems. The fields range from soils to textiles—and take in most of the sectors vital to technology-based industry.



## Shell tests safety features of prototype plastic tanker

BY LYNTON MCLEIN

A PROTOTYPE plastic road tanker, designed to cut the fire risk in the haulage of flammable liquids, has entered service with Shell UK Oil, only months before the Government is expected to introduce tough new standards for tanker design and maintenance.

The 24-foot-long tanker body is box-shaped and made from a double skin of glass-reinforced polyester (GRP) by M and G Tankers of Stourbridge,

West Midlands. The £250,000 development took three years. The company is owned jointly by Interdom Holdings and J and J Dyson and yesterday it offered a £40,000 prototype to the Department of Transport for testing to destruction.

Mr. William Rodgers, Transport Secretary, said in August that he planned to introduce new safety measures by the end of the year. In July 1980

people died in Spain after a chemical tanker blew up. The new tanker is not designed to carry chemicals or fuel under pressure, but Mr. Tony Hutchinson, chief transport engineer for Shell UK Oil, said he believed the tanker was the safest on the road.

Shell was given the second prototype tanker free by M and G. It plans to buy the first prototype in four months if tests go well.

## SECOND DAY OF CROWN AGENTS TRIBUNAL

## 'Lone voice' warned of risky investments

A "PRETTY damning indictment" of what had gone wrong at the Crown Agents, resulting in its multi-million pound losses, had been circulated internally by a lone protesting voice, it was said yesterday. This lone voice warned of the Agents being used as a "dumping ground" for lines of difficult-to-place shares.

Rut, Mr. Robert Gatehouse, QC, told the tribunal investigating the Crown Agents' £236m

losses on its secondary banking and property activities between 1967 and 1974, the complainant could not get support to see the "unapproachable" Sir Claude Hayes, chairman of the Crown Agents.

The tribunal, which began sitting yesterday, with all the powers of the High Court, was set up by the Government to look into what extent there were lapses from acceptable commercial or professional conduct or

of public administration in the operations of the Crown Agents. This is an independent body which conducts large-scale public enquiries and investigations and provides services in Britain for overseas governments and foreign public authorities.

Mr. Gatehouse, for the tribunal, said: "It seems a pity so little support was given to Mr. P. W. Nowers, the office fund accountant and the lone, protesting voice."

## Delta Airlines chief praises efficiency at Gatwick Airport

BY OUR AEROSPACE CORRESPONDENT

EFFICIENCY AT Gatwick Airport received praise yesterday from Delta Airlines of the U.S., which since last May has been flying between there and Atlanta, Georgia.

Mr. Tony McKinnon, an assistant vice-president of Delta, commented in an article in Airport News, Journal of the British Airports Authority (BAA), that he was not at all surprised that the airport did not want to take advantage of the quiet at Gatwick

compared with the congestion at Heathrow.

Mr. McKinnon was commenting on reports that airlines such as Iberia of Spain and TAP of Portugal have protested strongly at the UK Department of Trade's decision to make them move from Heathrow to Gatwick, to ease congestion at the former airport.

He said: "Airlines need have no worries about operating from Gatwick. We have nothing but admiration for its organisation and efficiency."

## East Midlands runway plans to be studied

FINANCIAL TIMES REPORTER

THE EAST Midlands Airport Authority, at Castle Donington near Derby, has appointed the British Airport Authority's independent consultancy department to investigate the likely need and economic viability of a proposed 5,000 ft extension to the airport's main runway, to cope with medium-haul and long-haul flights to the U.S., East Europe and beyond.

The East Midlands Airport has also asked for a detailed civil engineering survey. The two Airport

surveys will cost £35,000, and will be submitted to the EMA authority's joint committee early next year. If they are satisfactory, permission will be sought to extend the runway from 7,480 ft to 9,481 ft.

A delegation from Nottingham Chamber of Commerce is to meet Sir Peter Parker, chairman of British Rail, to discuss the main St. Paneras line to Leicester, Nottingham, Derby and Sheffield, with a diversion to also ask for a detailed civil engineering survey. The two Airport

## The '79 Marinas. Now.



Marina 1300 Coupé  
£2707.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1300 Saloon  
£2822.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1300L Saloon  
£2927.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1300L Saloon  
£3007.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1700 Saloon  
£3029.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1300 Estate  
£3219.

Simulated urban driving: 29.5mpg (9.6L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



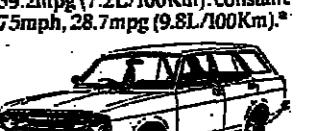
Marina 1700L Saloon  
£3229.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1300HL Saloon  
£3329.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1700 Estate  
£3379.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



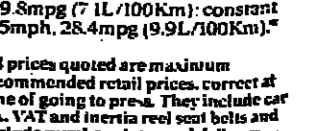
Marina 1700HL Saloon  
£3556.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1700L Estate  
£3615.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1700L Estate  
£3615.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).



Marina 1700L Estate  
£3615.

Simulated urban driving: 30mpg (9.4L/100Km); constant 56mpg (5.9L/100Km); constant 75mpg (4.7L/100Km).

## Every decision maker should have a copy of the Tilcon Group Brochure...

It presents a 'complete picture' of Tilcon - one of the largest suppliers of building materials and services in the U.K. with daily involvement in many of the most important building and civil engineering contracts.

The extent of Tilcon's resources and technical back-up may surprise you!

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## TO THE HOLDERS OF THE GOVERNMENT OF THE REPUBLIC OF SINGAPORE 7 1/2 PER CENT EXTERNAL LOANS BONDS 1987

NOTICE IS HEREBY GIVEN pursuant to the provisions of a resolution of November 1, 1972, under which the above-mentioned bonds were issued, that the redemption of the bonds is being effected by the Government of the Republic of Singapore.

The serial numbers of said bonds selected are as follows:

BONDS OF US\$1,000 EACH									
10	1598	4154	7143	9186	11121	12571	14437	17797	19
16	1606	4165	7154	9197	11132	12582	14448	17808	25
29	2476	4177	7165	9208	11143	12593	14459	17819	31
30	2487	4188	7176	9219	11154	12604	14470	17830	37
37	2498	4199	7187	9230	11165	12615	14481	17841	43
102	2513	4202	7194	9237	11172	12622	14488	17848	49
157	2530	4209	7203	9246	11181	12631	14497	17857	55
172	2542	4211	7205	9248	11183	12633	14500	17859	61
199	2596	4250	7263	9291	11221	12671	14538	17897	67
208	2609	4253	7266	9294	11224	12674	14541	17900	73
231	2632	4276	7289	9317	11247	12697	14564	17923	79
240	2674	4318	7331	9359	11289	12739	14606	17965	85
249	2683	4327	7340	9368	11298	12748	14615	17974	91
270	2714	4358	7371	9400	11330	12780	14647	18006	97
279	2725	4369	7382	9411	11341	12791	14658	18017	103
341	2783	4427	7440	9469	11399	12849	14716	18075	109
359	2789	4433	7446	9475	11405	12855	14722	18081	115
384	2809	4453	7466	9495	11425	12875	14742	18101	121
400	2823	4467	7480	9509	11439	12889	14756	18115	127
501	2876	4520	7533	9562	11492	12942	14809	18168	133
581	2933	4577	7590	9619	11549	12999	14866	18225	139
596	2940	4584	7597	9626	11556	13006	14873	18232	145
665	2921	4566	7579	9608	11538	12988	14855	18214	151
702	2970	4615	7628	9657	11587	13037	14904	18263	157
732	2999	4644	7657	9686	11616	13066	14933	18292	163
764	3023	4668	7681	9710	11640	13090	14957	18316	169
805	3046	4691	7704	9733	11663	13113	14980	18339	175
829	3076	4721	7734	9763	11693	13143	15010	18369	181
853	3094	4739	7752	9781	11711	13161	15028	18387	187
907	3123	4768	7781	9810	11740	13190	15057	18416	193
923	3164	4809	7822	9851	11781	13231	15098	18457	199
947	3179	4824	7837	9866	11796	13246	15113	18472	205
973	3207	4852	7865	9894	11824	13274	15141	18500	211
1087	3236	4881	7894	9923	11853	13303	15170	18529	217
1088	3237	4882	7895	9924	11854	13304	15171	18530	223
1097	3278	4922	7935	9963	11893	13343	15210	18568	229
1114	3406	4996	8014	10050	11980	13430	15297	18655	235
1135	3422	5012	8030	10066	11996	13446	15313	18671	241
1166	3453	5043	8061	10097	12027	13477	15344	18702	247
1198	3486	5076	8094	10130	12060	13510	15377	18735	253
1232	3501	5110	8128	10164	12094	13544	15411	18769	259
1264	3523	5132	8150	10186	12116	13566	15433	18791	265
1300	3549	5158	8176	10212	12142	13592	15459	18817	271
1334	3599	5208	8226	10262	12192	13642	15509	18867	277
1347	3615	5224	8242	10278	12208	13658	15525	18883	283
1358	3647	5256	8274	10310	12240	13690	15557	18915	289
1371	3671	5280	8298	10334	12264	13714	15581	18939	295
1376	3676	5285	8303	10339	12269	13719	15586	18944	301

On November 1, 1978, the bonds designated above will become due and payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Said bonds will be paid upon presentation and surrender thereof with all coupons attaching thereto bearing after the redemption date at the option of the holder at the specified office, the savings agents appointed as mentioned in the conditions printed on the reverse of each bond. The coupons due on November 1, 1978, should be presented for payment in the usual manner.

On and after November 1, 1979, interest shall cease to accrue on the bonds herein designated for redemption.

CITIBANK N.A. Singapore.  
DATED September 18, 1978.

## Cost of school clothes has doubled, says Tory

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE COST of providing children with school uniforms and other clothes has more than doubled since the Labour Government came to power, Mrs. Sally Oppenheim, shadow Prices Secretary, claimed yesterday.

Mrs. Oppenheim, speaking at Bletchley, said that typical list of 17 items of schoolkit now cost twice as much as in 1974. For a 10-year-old boy, the cost was

now £58.43 compared with £28.15. The cost for a girl the same age was £37.04 instead of £25.52.

As a result, said Mrs. Oppenheim, "there will be more children going back to school this term in hand-me-downs than ever before."

She added that school clothes were one of the most expensive items, after food and electricity prices, that families now had to face.

## Docks trade report put off

THE DEPARTMENT of Transport has agreed to defer for a year a report from the Tees and Hartlepool Port Authority on trade through Tees and Middlesbrough Docks.

Increased general cargo was one of the conditions attached to the department's authorisation of spending on two new berths at Tees Dock in Middlesbrough.

Dock was also to remain in operation.

The general world recession and the unexpectedly low level of steel and of West African trade, meant that tonnage through the docks so far this year has been only about 75 per cent of that anticipated. By the end of July the authority showed an overall loss for the year to date.

Landesbank Rheinland-Pfalz und Saar  
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هولاء من لاس

From Austin Morris, a subscriber in RI. Cars

## HOME NEWS

# New financial paper planned by Trafalgar

FINANCIAL TIMES REPORTER

TRAFALGAR HOUSE, owner of the Daily Express, will launch a new financial weekly newspaper early next year.

The new paper, aiming for an initial circulation of 60,000 copies, is the latest expansionist plan of Mr. Victor Matthews, chairman of Express Newspapers and of Fleet Publishing International, both subsidiaries of Trafalgar House. Fleet Publishing was set up after Trafalgar's takeover of Morgan-Grampian.

The paper, to be called the Financial Weekly, will appear on Fridays. It will be printed and published separately from the Express, under the control of a new company to be called Fleet Financial Publishing.

The editor-in-chief is Mr. William Davis, a former Financial Times writer, and one-time editor of Punch and financial editor of the Guardian.

Mr. Davis said yesterday that he intended the paper to appeal widely to businessmen and to investors. "We want to take readers behind the news as much as possible. We shall be interested in people and we shall include well researched investigative articles. The paper will have some big name columnists, but we will not print turgid economic essays."

"The paper will be aimed primarily at the busy executive. It

will be broader in scope than the Investors Chronicle, with more emphasis on people than statistics," he said. The Financial Weekly might overlap with the Economist, but would not aim to rival its coverage of American affairs.

Mr. Davis said the paper would start with about 60 pages in a tabloid newspaper format. He was expecting to recruit about 30 to 40 journalists during the next few months. The first step would be to advertise for an editor.

The paper will be sold on newsstands as well as by subscription. The launch costs have not been disclosed, but Mr. Davis said initial promotion would be "well into six figures."

Disclosure of plans for the Financial Weekly follows shortly on the heels of Express Newspapers' announcement that it is to launch a new national tabloid, to be called the Daily Star.

The two ventures are completely separate, however. The Financial Weekly will be printed outside the Express empire and will have its main offices outside Fleet Street. The Daily Star, on the other hand, is intended to mop up surplus capacity and manpower within the Express. It will be printed in Manchester and is aimed mainly to compete with The Sun in the North of England and Scotland.

## Electrical prices 'vary too much'

By David Churchill, Consumer Affairs Correspondent

PRICES of electrical goods ranging from colour televisions to toothbrushes can often vary by as much as a quarter from shop to shop, according to a new price survey.

The survey, by the Audits of Great Britain market research company, found that while a price range of 15 per cent was the accepted spread, in many cases it rose to 25 per cent. The spread was particularly marked among some automatic washing machines.

AGB's survey, the first it has carried out into prices in domestic appliance retailing, also emphasises the weakness of small, independent retailers in competition with the big stores, such as Electricity Boards, Co-operatives, and the Currys chain.

"Prices at independents are higher than those of most major store chains although, as would be expected, there is much wider dispersion of price levels," comments AGB. The survey reveals that the distribution of most major brands of electrical goods is very much lower among independents. On average, a brand is about four times as likely to be stocked by a major store than by a small independent.

The survey of 1,000 stores throughout the U.K. was carried out between August 22 and 24, and will be repeated in November.

## Apprentice system needs overhaul — Unilever chief

FINANCIAL TIMES REPORTER

BRITAIN HAS an archaic and expensive craft apprenticeship system that desperately needs overhauling, Sir David Orr, chairman of Unilever, said last night.

At the opening of the three-day British Association for Commercial and Industrial Education annual conference, Sir David emphasised that the success of British industry depended on raising productivity in the face of strong international competition.

Achieving that, he said, required greater flexibility in training people either to broaden their skills or to re-train them in new ones.

Training is based on the outdated concept that one initial training period will make a man competent at his job for the next 40 years, he said. Yet it is a continuous process.

"We all have to invest a great deal of money in training if we are to avoid shortages of the skill we need."

It is a salutary thought that, despite our skills shortages in this country, only about 2.5 per cent of employed people are undergoing vocational training, compared with an average of 12 per cent for the European Community as a whole.

This year, Unilever will spend

SIR DAVID ORR  
an outdated concept

about £100m worldwide on training, more than the group has invested in any single capital project. Of the £100m, Unilever intends to spend about £20m on training in Britain, including £14m for non-management training.

## EEC help for women engineers

THE EEC Commission is to spend nearly £35,000 to help project to enable the women to gain practical experience with engineering companies.

The scheme is organised by the Manpower Services Commission and the Engineering Industry Training Board.

It announced yesterday an award of £24,860 from the EEC Training Board.

## Plan for helping the small company

BY JAMES McDONALD

THE GREATER London Council has put forward a plan to the Government aimed at helping small companies to find premises in London at prices they can afford.

A report to this week's meeting of the council's industry and employment committee recommends that Government departments should be approached to see if they will support proposals for business premises associations and a business premises corporation.

Mr. Mervyn Scorgie, chairman of the committee, said: "We are convinced that if there are enough suitable ready-to-use premises at rents small businesses can afford we shall generate more jobs."

"That is why we have come up with the idea of business premises associations—organisations which could find and adapt suitable industrial property, then manage it for business tenants. This could include workshop accommodation, and the idea might be extended to provide for communal use of a showroom, conference room and other facilities."

A separate business premises corporation would probably be needed to support the business premises associations financially and with professional expertise.

The idea was suggested originally by the council to the Government inquiry set up to study the problems of small companies last year. The council has discussed the project with other organisations which are fellow members of the London Employment Forum.

## Green Shield plan to extend stamps to diesel users

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE GREEN SHIELD trading stamps company is planning to enter the £140m-a-year diesel fuel market to counter some of the setbacks of the past year.

It has negotiated agreements with more than 100 of the several thousand petrol stations selling diesel fuel to give trading stamps on each sale, either by cash or through an agency card.

Green Shield hopes that within the next few weeks it will have sufficient petrol stations giving stamps on diesel fuel to launch its Transport Club of Britain.

This club would provide the estimated 150,000 truck drivers in the road haulage industry with a guide to petrol stations giving stamps, details of each station's facilities, and information of the gifts that can be areas, such as holidays.

Green Shield has also recently looked up with a hotels chain to offer stamps on bargain holidaying stamps, and station's facilities, and information of the gifts that can be areas, such as holidays.

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## BL to launch updated Marina in bid to boost flagging sales

AN UPDATED version of BL Cars' Morris Marina is being launched with a new O Series engine for the top end of the range, and a number of trim changes.

The car will have a new front spoiler designed to improve fuel consumption and road stability, and grille-mounted halogen lamps.

This is the second car in BL's range to be fitted with the O Series engine, which first appeared in the Princess II in June. The Marina range will also be reduced from 13 models to 11, five of which will be fitted with the 1700cc O Series. These will replace the twin-carburettor

1800 engines in the present cars. The rest of the range will retain the 1275cc A Series engine.

Since it was introduced in 1971, with the aim of challenging the Ford Cortina in the company car market, the Marina has established itself as the best-selling car in the BL range.

But its popularity has faded in recent years, and the Cortina regularly outsells it by two to one. BL is now working on a radical re-styling of the car to refresh its image, but this is not expected to be finished for about a year.

The old Marina has been given a sales boost over the past month by a run-out campaign before the

launch of the O Series-engined range. Prices of the new car will range from £2,707 for the 1300 two-door to £3,328 for the best-equipped 1300 HL four-door version. The 1700 four-door will cost £3,029 and the 1700 estate £3,615.

Renault, the French nationalised car manufacturer, is introducing its small R5 automatic to Britain. The car has an electronic automatic transmission unit developed from the series used in the company's larger Renault 12, 15, 16, 17, 20 and 30 models.

The price of the car will range from £2,524 for the STL to £3,050 for the STS.

## Future of textile trade to be studied

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE ISSUE of whether the textile industry in Europe has made fibre industry, trade union and textile research figures.

Reports will be received on the state of the textile industry in member countries and applications for membership will be considered from Argentina and Brazil.

On the eve of the conference, figures published by the Textile Statistics Bureau in Manchester show that employment in the Lancashire cotton and allied textile industries has now fallen

below 70,000 following a further reduction of 580 jobs in July. The total loss since July last year is 7,100.

The industry has been affected by the continued weakness in demand for textile products and by the pressure of imports but there has also over recent months been some quickening of the pace of technical change with several older mills being replaced by more modern installations needing much less labour.

In the individual sectors spinning and weaving employ about 25,000 people with finishing, an area less affected by job losses, down to about 18,000.

Production figures from the industry show that single yarn output in July was 1.5 per cent less than in June last year—probably largely because of seasonal factors—and about the same as July last year. In weaving the daily rate of cloth production in July was 2 per cent less than in June and 3 per cent less than in July 1977.

The industry is substantially down, however, in the first seven months on figures for the same period last year. Single yarn output at 85.7m kg compares with 105.5m kg last year and woven cloth production at 482.7m metres with 502m metres for the same period last year. Much of the drop in woven cloth production is in tyre cord where international market developments have led to a drop in off-take from traditional Lancashire suppliers.

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## LABOUR NEWS

## Ruling on wage drift attacked by NUPE

BY CHRISTIAN TYLER, LABOUR EDITOR

THE WAR of words being waged against the new pay policy by public service workers intensified yesterday on the eve of a joint union meeting to draw up a big claim for more than 10m annual manual workers.

The National Union of Public Employees, which is already preparing plans for industrial action, described as "sheer madness" a departmental instruction to councils to take wage drift into account for this year's pay settlement.

Mr. Ron Keating, assistant general secretary, said in Wolverhampton last night: "The Government's guidelines mean that we will end up in the ridiculous situation where our members' wages are being cut."

"If Jim Callaghan thinks that public service workers will easily accept this situation he is living in a dream world," he said, and ended in the embarrassing position of taking on some of the lowest-paid workers in the country.

The amount of wage drift from last year's council workers deal is not yet known. But it could be 21 per cent or more. If the Department of the Environment's instructions—which the Government says it is going to apply universally—are strictly followed then local authorities might have to offer much less on basic rates than would at first appear permissible in order to keep within the 5 per cent limit in earnings.

To make matters worse, the unions estimate it will cost about 3 per cent to correct pay distortions caused by incomes policies before a general wage increase is given.

The Government will be keeping a close watch on this first big public sector negotiation, and will be well content if it can keep the overall earnings rise to 5 per cent, given the battle warnings that have come from both NUPE and the Transport Workers Union.

Today's meeting of the trade union side—the third union is the General and Municipal Workers Union—is expected to

draw up a joint claim for a minimum wage of £60 for a 35-hour week compared with the present £42.40 for 40 hours.

Similar claims can be expected for 250,000 hospital manual workers, and 17,000 ambulance men.

Last year the Government accepted that the local authority manual deal was within the 10 per cent guidelines, although on paper it was a 10.7 per cent increase. It was expected that staff reductions would bring the actual increase in the wage bill to within 10 per cent, but that now looks unlikely.

Consequently, the offer on basic rates may look unacceptable low to the unions.

## Partners in job security

A THREE-YEAR programme of a partnership between Merseyside County Council, Knowsley Council, and the Manpower Services Commission, to safeguard jobs on Merseyside's largest industrial estate at Kirkby, was launched yesterday.

The estate, which extends to 900 acres, was started shortly before the last war, and employs 24,000 people.

An improvement plan worth millions will modernise the estate. The scheme includes road widening, parking, financial incentives for small firms, clearance of derelict and bespoken land and refurbishment of obsolete buildings and the erection of advance factories.

Already the Brick Development Association, representing 80 per cent of the building trade, has established a training centre for operatives among those taking part in the gigantic face-lift.

## Safety code

AN APPROVED code of practice giving guidance on time off for training of safety representatives is published today by the Health and Safety Commission. It will come into effect on October 1, at the same time as the safety representatives and safety committees regulations.

## Wages council changes

By Nick Garnett, Labour Staff

A GOVERNMENT-COMMISSIONED report, which could have wide implications for the system of statutory protection for the low paid, was issued yesterday by the Advisory, Conciliation and Arbitration Service.

The immediate subject of the report is the wages council for the toy manufacturing industry, which Mr. Albert Booth, Employment Secretary, asked ACAS to examine.

The report's principal recommendation is that the Employment Department should consider opening discussions in the industry on the possibility of converting the wages council to a statutory joint industrial council.

Such councils are provided for in the Employment Protection Act but, so far, none have been created.

They would differ from wages councils in having no independent members, with union and employer representatives forced to negotiate face to face.

Failure to agree would lead to independent arbitration. Unions, which have been pressing for the creation of joint industrial councils, have become increasingly concerned at what they believe to be the failure of wages councils to protect the low paid.

Last week, a wages council settlement for staff in licensed hotels and restaurants was described by unions as "disgusting."

Mr. Pat Turner, General and Municipal Workers' Union national industrial officer, who sits on the wages council, said the ACAS report was a "breakthrough."

The report says that, in the long term, determination of pay and conditions by collective bargaining is preferable to statutory protection.

## Commons pension scheme talks

BY RUPERT CORNWELL, LOBBY STAFF

A SOLUTION to the protracted dispute between the Commons and the catering staff at the Palace of Westminster, now seems close. Catering staff staged several short strikes last summer to protest at their lack of a proper pensions scheme.

A report last night from the House of Commons Services Committee—the MPs responsible for staff matters—urged that talks between the two sides should start at once.

Discussions should be based on proposals drawn up by a special working group, that the catering staff should join the Principal Civil Service Pensions Scheme.

The new arrangements would apply to all permanent staff in the building, who would contract out of the state scheme. Before implementation, any final agreement would be underwritten by the Exchequer and debated by the full House of Commons.

The working group, chaired by Dr. Reginald Bennett, Tory MP for Fareham, warns that, in addition to the basic provisions of the Civil Service scheme, the staff want a substantial back-dating. This is regarded as the most dangerous potential stumbling-block to agreement.

The staff also want the new arrangements to apply to all employees working 18 hours or more per week, and for the scheme to be in operation by October, when this session of Parliament ends.

The standard Civil Service pensionable age of 60. It includes ill-health benefits and other early retirement benefits. Basically, it is non-contributory, but all male members are required to pay a contribution of 1.5 per cent of salary towards the cost of a widow's pension scheme.

Eric Short writes: The Mineworkers' Pension Scheme had more than £100m of new money to invest in the year ending September 30, 1977, according to the latest report and accounts of the fund. This sum represented the excess of contribution income over benefits paid during the year, and investment income received.

Contributions from both members and the National Coal Board amounted to £136m—17 per cent higher than the previous year—while benefits paid out in pensions and lump sum payments rose by 15 per cent to £81.6m.

Investment income was almost 50 per cent higher, at £27m. Total excess of income over expenditure, amounting to £101.3m, was invested in a variety of ways. Nearly £300m was put into marketable securities—equities and fixed interest—and more than £28m in property. About £18m was held in cash and deposits and £173m in other assets. The fund, on book values, amounted to £397.2m at the end of the year.

## Port radio technicians to strike

By Our Labour Staff

PORT RADIO technicians employed by Marconi Marine yesterday reaffirmed their decision to strike from tomorrow after renewed talks between union and employers failed to find a solution to their pay dispute.

The 250 shore-based technicians in Marconi have said they will return to work on Monday, when the Radio and Electronic Officers' Union (REOU) will "review the situation" and consider whether to extend the strike.

Shipping authorities said yesterday they were not expecting any major disruption to shipping traffic over the weekend although the impact of the strike would depend on how many ships calling in at British ports required radio maintenance and servicing.

The main effect would be on quick turn-round cargo vessels such as oil tankers and container ships, which could be prevented from sailing by port authorities if their radio equipment was not in proper working order.

## Ennals to intervene in hospital dispute

BY PAULINE CLARK, LABOUR STAFF

MR. DAVID ENNALS, Secretary for Social Services, decided yesterday to intervene in the hospital works officers' pay dispute as industrial action by the group, affecting hospital services throughout the country, went into its second day.

The five unions representing about 3,500 works officers in middle management grades in the National Health Service accepted his invitation for talks scheduled for late this afternoon.

No indication was given, however, of whether a new offer would be put to union leaders.

The works officers, who claim that the latest salary offer would leave some of them earning less than the craftsmen they supervise, are seeking an improved salary scale tied to a regrading structure under the 1974 reorganisation of the National Health Service.

After talks with Mr. Roland Mayle, the Health Minister, failed to produce a solution at the end of last week, they em-

barked on a number of forms of industrial action which, if prolonged, could lead to hospitals' closing to all but emergency cases.

The Department of Health said last night that reports from the regions suggested all areas had felt that some impact from the action. Some hospitals had already taken steps to restrict non-urgent admissions.

An eight-point action programme includes a ban on overtime and on-call or standby duty and a refusal to attend to breakdowns of hospital laundry and sterile supplies machinery except for the maintenance of 10 per cent of normal production to allow emergency surgery and hospital care to be maintained.

The works officers will also refuse to do paperwork involved in the payment of the recently negotiated bonuses to hospital electricians—a settlement which they say is largely responsible for creating the differentials

## Legislation 'inhibits recruiting'

By Our Labour Staff

RECENT employment legislation is discouraging Merseyside small companies from taking on new employees. Several with less than 50 employees say that they have no intention of expanding in the present climate.

These facts have emerged from a survey by the Merseyside Chamber of Commerce and Industry. Yesterday, it said it had circulated member companies.

Of the 143 which replied, 82 per cent said the unfair dismissal legislation was having a most inhibiting effect on the recruitment of additional staff.

## Ferranti fair wages award

SOME 1,800 staff employed by Ferranti, at Bracknell, have been awarded pay increases of up to 12½ per cent, backdated to May, under a fair wages resolution awarded by the Central Arbitration Committee.

## Union threat to Costain sites

BY OUR LABOUR STAFF

LOCAL UNION officials threaten to shut some large construction sites of Costain, the civil engineering group, in the dispute over Italian building workers at S. Air Force bases.

The Italian firm, Cimolai, was bought in to do work at the four St. Anglian bases after another firm, the original sub-contractor, failed to complete the work.

Costain, the main contractor, is using all building regions and laws and has been criticised by the withdrawal of the other firm.

Union officials said yesterday there was a growing feeling of Costain and other companies re-using the Italian workers as a test case, to see whether the issues of foreign workers on other sites.

Construction firms have enviously denied this. Unions believe Costain is in position to "suspend" the issue while the issue is sorted out.

Work on the basis, involving construction of blast-proof aircraft shelters and support facilities has been brought to a halt in a dispute which began over piecework between the construction section of the Amalgamated Union of Engineering Workers and Carter Horsley, a main sub-contractor.

Talks to try and resolve the dispute began yesterday against a background of one-day token strikes on sites operated by Carter Horsley or related companies.

The sites included two power stations, the Dartford Tunnel and a large sugar beet processing complex.

The dispute, however, became engulfed in the issue of the Italian workers whose crossing of picket lines has led to ugly scenes and a number of arrests.

If the strikes on Costain sites go ahead, possibly next week, the unions would aim to cripple some of the larger projects, including the Thames flood barrage and road schemes.

## MP seeks secret ballots

SECRET BALLOTS were the best way to overcome the industrial threat to Scotland, Tory Scottish Secretary Mr. Iain Taylor said in Glasgow yesterday.

He said the majority of the workforce, who were "all too ready" to leave union affairs to the hands of militant minorities, had devastating consequences for jobs and the future of Scotland, he said.

Mr. Taylor, MP for Glasgow Central, urged that Government help should be available for secret ballots.

## Demand for state drug company

A MAJOR drugs company should be nationalised and research expanded to ensure that drugs of the right kind at the right price were made available, a union leader urged yesterday.

Mr. David Warburton, national industrial officer of the General and Municipal Workers' Union and secretary of the Chemical Unions Council, said it is time that we who pay the piper started to play a few tunes.

He told a London audience of representatives from the drugs and cosmetic industries that

research into serious diseases was held up primarily by competition between major drug companies for the cough remedies and sedatives market.

Mr. Warburton said the pharmaceutical companies had concentrated their "so-called research on those drugs which would bring the highest return."

"If we are to ensure that drugs of the right kind at the right price are made available to those who need them, then a major company should be taken into public ownership as well as expanding research."

## Company Announcement

## Gold Fields Group

### DOORNFONTEIN GOLD MINING COMPANY LIMITED

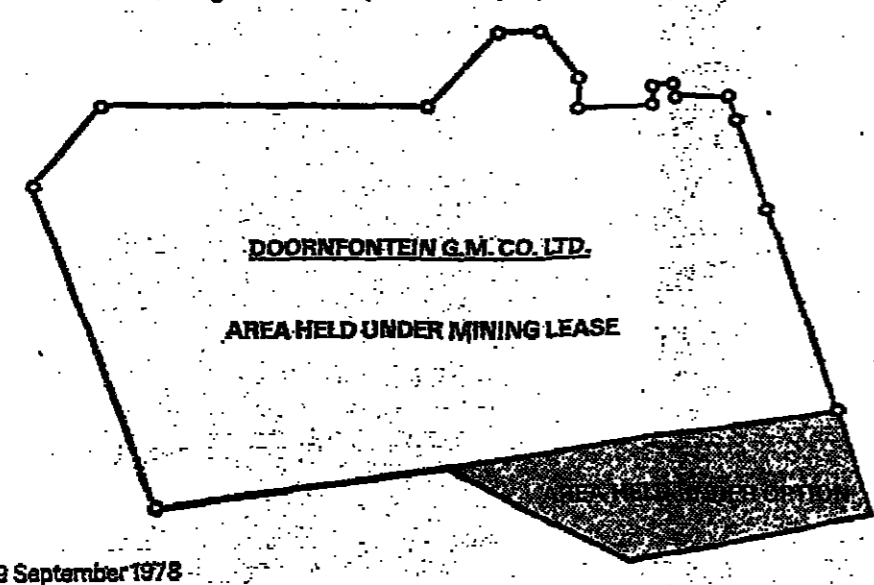
(Incorporated in the Republic of South Africa)

## Option to Purchase Mineral Rights

In the Chairman's Review dated 25 August 1978, which is contained in the annual report posted to members on 19 September 1978, members were informed that consideration was being given to the possibility of acquiring the mineral rights over an area of some 600 hectares to the south of the company's mining lease area in the zone down-dip of, and stretching from No. 2 Sub-Vertical Shaft in the west to the eastern boundary.

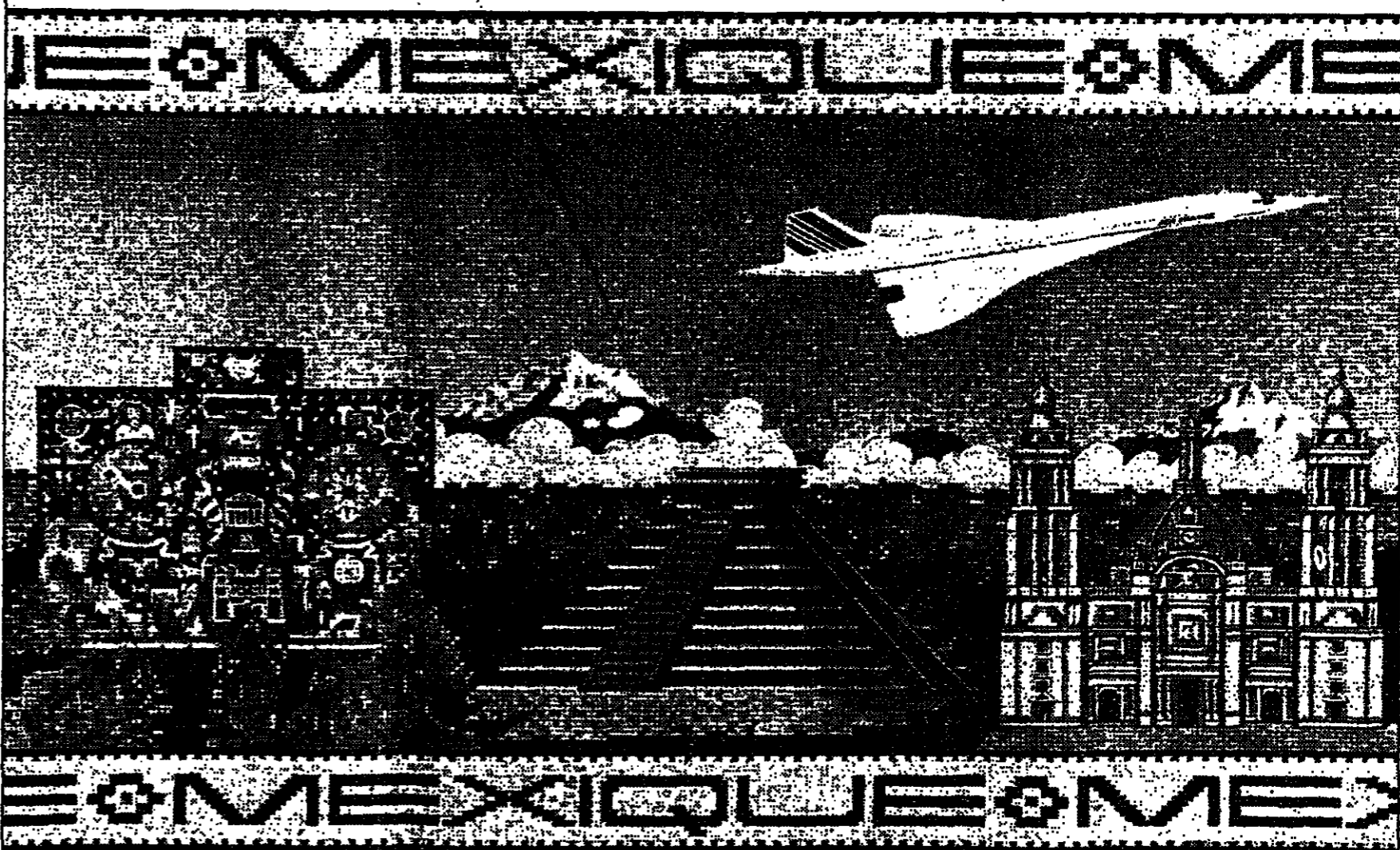
Agreement has been reached with Gold Fields of South Africa Limited (GFSAL), the owners of the mineral rights concerned,

whereby this company has been granted an option to purchase the mineral rights in respect of approximately 553 hectares of the farm Doornfontein No. 118 I.O., as shown on the plan below. In the event of the option being exercised, the consideration payable to GFSAL will be R997,800. In terms of the agreement GFSAL has undertaken that it or its nominees will apply this consideration in subscribing for 172,000 shares in the capital of this company, this being based on the closing price of 580 cents per share on The Johannesburg Stock Exchange of this company's shares on 15 September 1978.



19 September 1978

## Mexico aujourd'hui.



Mexico City today. For the first time ever, you can take the new Paris-Mexico Concorde and arrive in Mexico City from Europe faster than by any other aircraft in the world. Only Air France offers you Mexico by supersonic Concorde. There are two flights a week, every Wednesday and Sunday, leaving Paris Roissy-Charles de Gaulle at 8 pm and arriving in Mexico City at 7.40 pm, via Washington, D.C. Our Paris-Mexico route takes only 7 hours 40 minutes, as compared with the fastest subsonic flight, which takes 13 hours 30 minutes. You'll arrive in Mexico City relaxed, with the whole evening ahead of you.

There are convenient connecting flights from London to Paris, and at the other end of your flight, there are also interesting connections to Central America. Take advantage of the most convenient Europe-Mexico flight ever, aboard Concorde. It's the newest addition to our growing Concorde network, now regularly serving New York, Washington, Caracas, Rio and Dakar.

Schedules valid until 1st October	
Weds. Sun.	Paris Ch. de Gaulle
8 pm (local time)	11.35 pm (local time)
7.40 pm (local time)	Mexico City
	8 am (local time)
	Thurs. Mon.

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# The Bingham Report

## Oil products reached Rhodesia soon after sanctions began

BY KEVIN DONE

THE UK GOVERNMENT Order declaring sanctions against Rhodesia was made at 8.30 pm on December 17, 1965.

It began a complex web of events which at once involved the British oil companies British Petroleum and Shell, and their subsidiaries in southern Africa. It also brought on to the stage a much wider cast—other oil companies marketing in southern Africa; the illegal Government in Rhodesia; the British Government; and a number of other Governments, including South Africa, Portugal, the U.S. and France.

Very early in the first few months after the 1965 Sanctions Order crude oil supplies to Rhodesia were effectively stopped.

But it soon became known that oil products were reaching Rhodesia by road in significant quantities.

In succeeding months and years this first breach in the sanctions wall was greatly enlarged as the flow of oil products to Rhodesia was stepped up by supplies entering the country by rail.

British oil companies were intimately involved for much of this time, and for long periods their actions were taken with the knowledge of the Government.

In the summer of last year Dr. David Owen, the Foreign Secretary, appointed Mr. Thomas Bingham, QC, to make a full inquiry into how oil and oil products had reached Rhodesia since 1965.

### Oil markets

The terms of reference allowed the inquiry to take all relevant oil operations in southern Africa into account. Only Shell and BP have fully co-operated with the inquiry.

As Mr. Bingham points out in the introduction to his report, approaches to other oil companies "have not been fruitful. The parent companies of the

major foreign groups involved have been either unable or unwilling to give detailed assistance on the facts."

When sanctions were imposed Rhodesia was much less dependent on oil as a source of energy than most other comparably industrialised countries, because of access to plentiful supplies of cheap coal and to important sources of hydro-electric power.

But it needed oil products for transport and industry. In 1965 consumption was about 3.2m barrels a year (400,000 tons).

The Bingham Report says: "There is no reason to doubt that denial of this oil would gravely have damaged the economic and social life of Rhodesia."

When sanctions were introduced three were various existing sources of supply.

At the time of UDI five companies marketed oil products in Rhodesia. These, with their approximate market shares, were: Shell Rhodesia (Pvt) (21 per cent); Anglo-South African Petroleum Refineries (SAPREF) (12.9 per cent); Mobil Oil Southern Rhodesia (Pvt) (20 per cent); Caltex Oil Rhodesia (Pvt) (20 per cent); and Total Rhodesia (Pvt) (5 per cent).

All were incorporated under the laws of Rhodesia.

Mobil Oil Southern Rhodesia and Caltex Oil Rhodesia were subsidiaries of the well-known American groups.

Total Rhodesia was a subsidiary of Compagnie Française des Pétroles (CFP), a French company in which the French Government had and has a substantial interest.

In the period of about nine months which preceded UDI the five marketing companies in Rhodesia obtained their supplies of main oil products from the recently-opened Ferkra Refinery at Umtali, close to Rhodesia's Mozambique border, which it was joined by a pipeline.

This refinery was owned by Central African Petroleum

Refineries (CAPREF), a company incorporated in Rhodesia in 1962. The ownership of CAPREF, which has not changed, was divided among the following companies:

Two major refineries operated in South Africa in 1965. The larger of these was owned by Shell and BP South African Petroleum Refineries (SAPREF) and was near Durban. It had a primary distillation capacity of 88,000 barrels per stream day (since increased).

The other, also near Durban, was owned by Mobil Refining Company Southern Africa and probably had a primary distillation capacity of about 38,000 barrels per stream day (since increased).

Sales in the Mozambique domestic market in 1965 were about 1.6m barrels (200,000 tons). The market was about half the size of that of Rhodesia.

Shell-BP and SONAP (Société Nationale de Pétroles, a local marketing company in which the Mozambique Government had a majority interest) enjoyed about a third of the trade each. The remaining third was split between Caltex and Mobil.

The business of Shell and BP was carried on by Shell Mozambique Ltd and by a Mozambique

### TERMS OF REFERENCE

The Bingham inquiry was set up with the objects:

- of establishing the facts concerning the operations whereby supplies of petroleum and petroleum products have reached Rhodesia since December 17, 1965;
- of establishing the extent, if any, to which persons and companies within the scope of the Sanctions Orders have played any part in such operations;
- of obtaining evidence and information for the purpose of securing compliance with or detecting evasion of the Southern Rhodesia (United Nations Sanctions) (No. 2) Order 1968 ("the Sanctions Order"); and
- of obtaining evidence of the commission of any offences against the Sanctions Order which may be disclosed.

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and continues through Nelspruit to Johannesburg, Pretoria and to the heart of the Transvaal industrial area.

Two special branch lines lead from this main line. The first runs from Moamba and joins the direct Walvernia line from Lourenço Marques to Rhodesia at Magde.

Thus a train which has set off from Lourenço Marques in the direction of South Africa may be turning north-east at Moamba travel to Rhodesia instead. And a train which has originated in South Africa or entered South Africa from Mozambique may, via Moamba and Magde, travel to Rhodesia without visiting or returning to Lourenço Marques.

The second branch line runs north-westwards from Komatipoort through Skukuza and Tzaneen to join the main line from Johannesburg and Pretoria to Messina.

This would enable a train which had entered South Africa from Mozambique to make its way to the Rhodesian border without transgressing the industrial heartland of South Africa.

Shell Petroleum Co 20.75 per cent; British Petroleum Co 20.75 per cent; Total Rhodesia (Pvt) 5.00 per cent; American Independent Oil 15.00 per cent; Kuwait National Petroleum 5.00 per cent.

This refinery was designed to cater for the needs of Rhodesia, Zambia and Malawi.

The pipeline which joined it to Lourenço Marques was owned by Lourenço Marques Pipeline Company (CPMR), a company controlled by Lourenço Marques.

In the 10 months preceding UDI, CAPREF through the pipeline, Report on the Supply of Petroleum and Petroleum Products to Rhodesia, by T. H. Bingham QC and S. M. Gray FCA.

Published by the Foreign Office September 1978

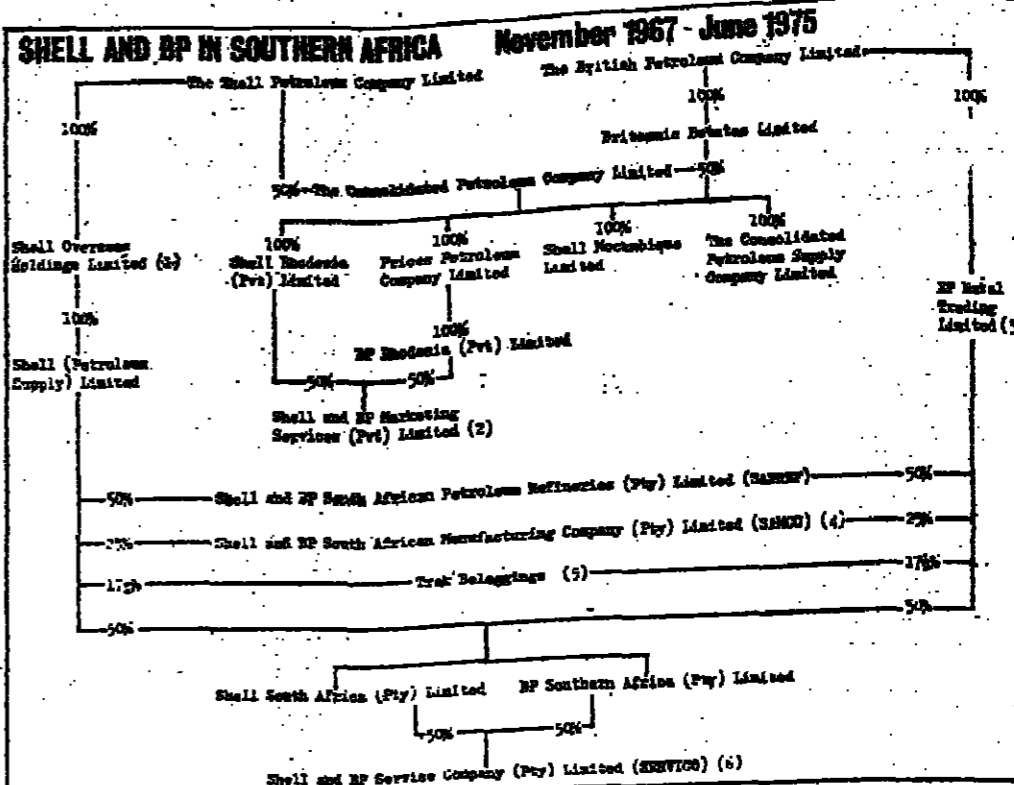
Branch lines

The rail links in southern Africa came to play a very important part in the carriage of oil products to Rhodesia. They were:

(i) From Beira a railway line runs directly to Umtali and Salisbury.

(ii) From Lourenço Marques (Maputo) a railway line runs through Vila Luiza and Magde, crosses the Rhodesian border at Malvernia and travels on to Bulawayo, Gwelo and Salisbury. This is the direct, or Malvernia, route to Rhodesia.

(iii) Another railway line from Lourenço Marques runs through Moamba, crosses the South African border at Komatipoort,



AFTER A SERIES of agreements dating back to 1928 the Shell and BP groups undertook a joint marketing arrangement for supply and distribution of oil products in a large, "roughly triangular," area between Cyprus, South Africa and Ceylon.

This area was known as "the Consolidated Area," because of the company created: Consolidated Petroleum Company, jointly owned by the groups in equal shares.

Although Shell South Africa and BP Southern Africa technically ceased to be subsidiaries of Consolidated in November 1967 they continued to be treated as such until June 1975.

Before 1975 BP had never marketed in South Africa independently of the Consolidated Agreements. These arrangements ended in South Africa in June 1975.

Already by 1965 the local operating companies were

allowed and encouraged to operate independently. Certain matters were reserved to Consolidated and thus, indirectly, to the parent groups, but the direct management role of Shell was a declining one.

The report quotes evidence from Mr. J. G. Francis, who from 1967 until 1976 was area co-ordinator at Shell Centre London, with responsibility for, among other places, southern Africa.

The management relationship was, he said, "rather one of service and advice and looking at the shareholder interest in the broadest sense, financial involvement and so on."

"General questions of major shareholding policy. We never participated in any way to manage the local operating companies which were under our wings."

"That was the job of the local management. The local management had total authority over their own day-to-day operations."

"In no sense would we have thought ourselves in London to be managing the operations of our operating companies, and the bigger the operating company the truer this would be; and in the Consolidated sense the South African enterprise was overwhelmingly the largest company which we had in our parish, and they were very self-contained."

Shell played the primary role in management and did not intend or allow its residual management role to be diluted by sharing it with BP.

Mr. Francis said: "Shell didn't intend their management to be diluted."

"We didn't want, if we could help it, to drift into the same situation as we had arrived at in Shell-Mex and BP, which was constituted as a joint management with people on it from both sides of the house. We felt on the whole that this was a recipe for confusion."

## British Government 'should have been told of changed situation'

## 'Wrong to assume that all events were known at the time'

THE BINGHAM report draws 33 main factual conclusions. It prefaces these by emphasising that it is a summary of facts now known and that "it would be wrong to assume that all the events now summarised were known to the Groups in London at the time the events were taking place."

Among the conclusions are the following:

Shell notified the Rhodesian Government before UDI that Shell and BP Groups would continue to perform their contractual obligations unless or until force majeure prevented them doing so. There may have been informal expressions of opinion to the effect that sanctions were unlikely to be imposed and, if imposed, were unlikely to be effective. The Groups did not deliberately encourage the Rhodesian Government to make its illegal declaration of independence and did not assure that Government that it would maintain supplies if sanctions were imposed.

It seems very likely that in the weeks preceding promulgation of the 1965 Sanctions Order, stocks in Rhodesia rose above the normal level. We do not think that any major concerted effort to that end was made, and limitations on storage capacity precluded substantial stockpiling. We doubt if the margin by which stocks were increased significantly affected the subsequent course of events.

It appears that stocks of refined products in Zambia immediately prior to the 1965 Sanctions Order were at a very low level. It may be that there was some interception in Rhodesia of supplies intended for Zambia, or a deliberate failure to consign to Zambia supplies which would otherwise have been consigned, but the evidence available to us does not show that this was so.

When Mr. Vasconcellos in Mozambique appreciated that goods delivered to Parry Leon and Hayhoe, or some of them, were being carried to Rhodesia he raised the matter with the top management in South Africa. He was told (in effect) to continue making such deliveries. The management in South Africa was however ordered to ensure that the affixing of rail tank car labels showing a Rhodesian destination within the Shell Mozambique installation was consistent with no comment was to be made direct to Rhodesian destinations.

Mr. Walker's personal position as a South African citizen and general manager in South Africa with overall local responsibility for Mozambique was a difficult one because he could not simultaneously comply at the same time both with the policy of the 1965 Sanctions Order that supplies should be denied in Rhodesia and with the policy of the South African Government that South African traders should be free to trade with Rhodesia. He believed it was arguable that since neither he nor Shell Mozambique knew for sure that any particular consignment was destined for Rhodesia there was no contravention of the 1965 Sanctions Order.

Mr. Walker informed the British Embassy in South Africa of his view that oil for Rhodesia was going through various intermediaries from all the companies supplying South Africa, probably in about the same proportion as their share of the South African market, and that he believed the other companies would make good any shortfall in supplies made by the Consolidated marketing companies.

Until January 1968, the Shell and BP Groups in London

employed by the companies. Despite these impediments, the local management of Consolidated tried, during about the first six months or so after the 1965 Sanctions Order, to prevent or reduce the flow of oil to Rhodesia.

In December, 1966, Shell Mozambique delivered about 3,000 tons of oil products free on rail at Lourenço Marques to Parry Leon and Hayhoe pursuant to contracts made between Shell South Africa and Parry Leon and Hayhoe in Johannesburg. During 1967 about 150,000 tons were so delivered. Shell South Africa was under strong pressure from the South African Government to make sales to African buyers able to pay the price, which is what Parry Leon and Hayhoe were. While the product probably passed technically through the ownership of Shell Mozambique, it was supplied by the Consolidated marketing companies in South Africa and was in the main transported to Mozambique from South Africa. Parry Leon and Hayhoe sold these products to CFP, and CFP sold them to Rhodesia. The Rhodesian Government was fully aware of this, and it was supplied by the Consolidated marketing companies in South Africa and was in the main transported to Mozambique from South Africa. 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Albright & Wilson Ltd

The Financial Times

# Beauty



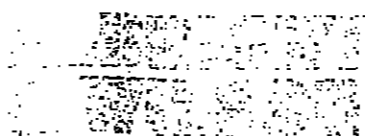
## in Buenos Aires

Fragrance is the perfect partner of beauty. In South America, and all over the world.

Bush Boake Allen – an Albright & Wilson company – create fragrances for shampoos, creams, lotions, and every kind of beauty preparation, as well as for everyday soaps and detergents.

Albright & Wilson have manufacturing plants in 15 countries. In 1977 alone, overseas production resources were increased in Australia, Canada, France, Malaysia, Singapore, Sweden and the USA.

Worldwide, sales last year were £338m, of which £194m were earned overseas, including £92m exports from the UK.



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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## ENERGY

### Extracts the heat from waste air

KANTHERM T-S is a new heat-saving ventilation unit from Bulten-Kanthar AB, Hallstammar, Sweden. The greater part of the heat content of the outlet air is handled and can be recovered and transferred to the fresh inlet air, which is important since ventilation losses represent up to 40-50 per cent of the total heat requirement of a building.

Saving of heating costs by installation of such a unit will be considerable.

Standard units up to 2,000 cubic metres per hour are built around a central power section which consists of two fans and a motor-operated swirl shutter. Two heat-accumulating units containing corrugated aluminium sheeting and two 90-degree bend ducts.

The swirl shutter guides the in- and out-going air flow through one of the two laminated sheeting packs at one-minute intervals. In this way, outgoing air would heat one pack while incoming air was heating up from the other.

The central unit includes a switching device operated by an electric motor. This is designed for continuous operation and

changes the position of the shutter to guide the air streams. The heat accumulating units are built up from packs of corrugated aluminium sheeting easily stripped for cleaning.

Fans are of radial or axial type, depending on the pressure drop in the ducts connected to the unit. The pressure drop in the unit itself is about 5 mm water column.

The heat recovery unit can be assembled in several different ways to suit building layout.

However, for sizes from 4,000 to 10,000 cubic metres/hour, wall or roof mounting is required. Extended measurements during spring this year have shown that the efficiency of a Kantherm T-S 300 varies between 85 and 95 per cent on a temperature difference basis and between 80 and 85 per cent taking into account air humidity.

A great advantage of the Kantherm units is that there has been no problem at all with water condensation and freezing, even at outdoor temperatures down to -30 degrees C, which means that there is no need for energy-consuming heating elements to prevent icing, as can be the case with heat-pumps.

### Solar heat sales drive

IN SPITE of a poor summer for the UK domestic solar equipment industry—another company is considering this market. Stiebel Eltron, believed to be the largest European manufacturer in the field, is holding talks with UK installers.

The UK subsidiary of Stiebel Eltron is expecting the equipment to be highly competitive in the UK, due to mass production. The group's Austrian plant, devoted solely to solar panel production with associated controls has a yearly production capacity of 50,000 solar collectors of two square metres each. This plant at Spital Drau was opened in the spring, after

extensive product trials in West Germany. The solar storage tanks are being made at another plant in West Germany.

The company's solar system is intended only for the domestic market—for heating the domestic hot water supply and for swimming pools. The system works on a closed circuit, using a heat exchanger and is used all the year round.

If the company introduces the system to the UK market it is likely to appoint a small number of trained independent installers—and to support the project with promotional effort. Stiebel Eltron, 25-26, Lynden Road, Bracknell, Northampton (0604) 66421.

## PROCESSING

### Tanks uniformly heated

FOR PROTECTING water tanks from frost, and to maintain a constant temperature within hoppers, storage tanks and process vessels, there is a heater panel which is designed to dissipate uniform low density heat.

Uniform heating is said to be absolutely essential for temperature-sensitive materials which are used in the food, confectionery, chemicals and process industries, and typical applications for the panel include the

heating of glucose, molasses, beer, caustic soda, powders, carbon black, etc.

The VFF panel can withstand operating temperatures up to 100 degrees C and is also suitable for viscous materials and hygroscopic powders which must be maintained at elevated temperatures to prevent crystallisation and the build-up of condensation.

Further details are available from Hotfil, Heath Mill Road, Wombourne. Wolverhampton WV5 5AG (Wombourne 3541).



Being demonstrated today in London is this cable-avoiding tool (CAT) which could eliminate damage to underground cables now estimated to be costing the community at least £3m a year in some 20,000 incidents, with attendant disruption of communications, etc., that is hard to value. Apart from this, CAT equipment gives a much greater degree of protection to workers who have to dig the holes in city streets. The device is a proximity detector which emits a characteristic glow when the tip is moved across the path of a buried cable carrying power or telephone lines. It has two search modes and can find both live and inert cables. Electrolocation, 129, South Liberty Lane, Bristol BS3 2SZ. 0272 634333.

## MAINTENANCE

### Pig for all pipelines

VERY OFTEN, space in a pipeline does not allow the installation of conventional pig traps at a later date without considerable disturbance on site. But a pipeline in Algeria is operating a piggings system which appears to offer an economical solution to the problem.

This consists of an in-line pig trap that enables a pig or sphere to be passed along the line and through a pumping station without the time and labour otherwise involved on every pig in transit in transferring the pig from trap to trap.

It also allows pigs to be halted at or launched from the station, and the same type of pig trap can be used at or near the pipeline extremities to provide launching or receiving function necessary to operate "intelli-

## INSTRUMENTS

### Ship alarm monitor

ISIS 50 is a new, small alarm monitor from Decca. The system comprises a control unit and any number of alarm display units, each one covering five channels. Connection may be made to any potential free contact with indication, where required, being given of "first-up" alarm. Time delays are available on each channel to suit a particular application.

The control unit contains lamp test, function test, alarm accept and silence buttons together with a system low-voltage alarm indication. Terminals are available to permit the use of remotely mounted push buttons where applicable. An audible alarm is contained within the control unit, but drive signals are provided to enable the audible alarm to be supplemented by klaxons or flashing beacons. Two power supply inputs are provided, independently monitored, and a function-test button will initiate a test of the complete system.

including electronic circuiting lamps, flash generator and time delays.

Additional facilities such as intrinsically safe operation, group alarms, inhibit control units, extension and cabin alarm units are also available.

The group alarm display provides a means of showing condensed alarm information at a remote location. Any number of units may be fitted. For use on the bridge, an optional group alarm control may be fitted to provide a local audible alarm, low-voltage alarm, test and dimming facilities. A maximum of 30 alarm groups can be covered.

All equipment has been designed to meet the rules and regulations of all major classification societies together with other bodies such as IEC and BASEEFA. Decca Radar, 9 Albert Embankment, London SE1 7SW. 01-735 6111.

## GRAPHICS

### Drawing at speed

CALCOMP is probably best known for its drum and flat bed plotters of which some 3,000 have been sold in Europe (9,000 world wide) and in more recent years the world sales figures have reached 65,000 units in floppy disc and 50,000 in large fixed disc drives.

Bringing these products together, and amalgamating some new software ideas that will be available as a result of an agreement just announced with Inspec, the NEB-backed British software venture Calcomp is now seeking new penetration of the interactive graphics market with the unveiling of IGS 600, a sophisticated electronic drawing system based on a minicomputer.

No mainframe assistance is needed and the stand-alone equipment is aimed at engineering industries previously put off by the difficulty of operation of some mainframe-based systems and able to earmark £50,000 and upwards for such facilities.

Calcomp has applied its new minicomputer to the system; the design was acquired from SEB in France last year and is now made under licence in the U.S.

The system thus consists of mini with 64k words of memory, 50 Megabyte disc drive, operator console, software and user work-station with 64k bytes of memory—the "picture processor".

Details from the company at—separate raster-scanned alphanumeric and graphics CRT displays, full ASCII keyboard, 11 by 50211).

11 in tablet and joystick picture controller.

Up to four workstations and four digitisers can be supported and the use of a picture processor means that the workstation user can perform a wide range of display and control functions immediately without affecting other users.

Raw drawing data is first entered using a tablet and stylus; the stored data can then be accessed by the workstation for display and manipulation. Using the joystick the picture can be moved rapidly from left to right or up and down and can be magnified or reduced at will using a rotary control on top of the stick.

Use of the tablet/stylus and stored drawing features then enables the user to construct on the CRT any arrangement needed with a facility to delete and move at will. The changes appear immediately on the screen and are sent to the data base to update the drawing file.

The discs can store this and many other drawings at the same time and they can be accurately drawn on associated flat-bed plotter as they are needed.

No difficult instructions are involved in using the equipment, the user being guided all the time by the second CRT display. Learning time is put by the company at three weeks.

Details from the company at—Cory House, The Ring, Bracknell, Berks, RG12 1ER (0344 50211).

## COMPONENTS

### Mullard's liquid crystals

AFTER A long-term development programme, Mullard has announced availability at the end of the year of production quantities of two liquid crystal displays.

Technology selected in field effect twisted nematic, in which the company has incorporated the latest developments. In particular, crystal materials have been developed to provide high standards of chemical stability and special precautions have been taken to eliminate chemical reaction between the different materials used. Also, to ensure satisfactory viewing, the new units have incorporated the results of considerable research into viewing angles, colour balance and the brightness ratio of character to background areas.

The devices are intended for time displays and have four digits with a colon between the second and third; characters are 12 mm high and formed from seven segments.

One of the LCDs, the LTC001R, is designed for use in the reflective mode and the other, the LTC001T, is for transmissive use with a light source behind the display.

Layers of construction of the device, from front to back, are

polariser plate, glass plate with character electrode pattern, liquid crystal material, back electrode and, in the case of the reflective device, a reflective surface.

In the unenergised state, the 90 degree twist in the crystals cancels out the effect of the polarisers so that light is able to pass through the sandwich. But application of an electric field (a typical operating voltage is 30 V at 50 to 100 Hz) between selected electrodes on the front glass plate and the back electrode "untwists" the molecular helix and allows the polarisers to block the light and so darken the selected segment areas.

More from Mullard House, Torrington Place, London WC1E 7HD (01-550 6633).

## ENVIRONMENT

### Controls pollution

DRY SMOKE and fumes, sometimes found mixed with oil mist in certain wet grinding operations, create a common pollution problem in many factories, but they can now be filtered out, says the Filtermist Company, Faraday Drive, Stourbridge Road, Bridgnorth, Salop WV15 5BA (074-62 5361).

The company has introduced the After Filter, for use in conjunction with its F28, F18 and F12 vertical Filtermist units, which is highly efficient in filtering out such fumes.

The unit is 99.95 per cent efficient, says the company against particles of between .01 and 1.3 microns (when tested in accordance with BS 3928) and able to remove pollutants which cannot be turned into liquid form as can oil mist.

## HANDLING

### Straps loads in seconds

OFFERING ADDED security for a wide variety of unit and pallet loads is an automatic friction weld strapping tool, introduced by P. P. Payne, Haydon Road, Nottingham (0602-607221).

High seal efficiency, without tensioning power, are incorporated in the design of the tool which can be used in any position—on horizontal, vertical or flat surfaces. Easy handling and smooth performance are promised to the operator who inserts a strap, pushes a lever and completes the automatic strapping operation in seconds.

Equipped with an electrical, single-phase motor (220V, 110V) which can be plugged into any power supply, the tool is made of cast aluminium with steel side plates. It is 245 mm long, 86 mm wide and 195 mm high and weighs 3.7 kilos.

## COMPUTING

### Control of the legal process

SOLACS—Solicitors' Accounting System—has been developed by Burroughs in conjunction with a Leeds firm of solicitors which uses a Burroughs in-house computer, and Law Data Systems, a software house specialising in computer applications for solicitors.

It is intended to run on Burroughs small to medium-sized computer systems in the 80, 160 and 3200 ranges. Thus it would be possible for a small practice to install SOLACS with a computer no larger than a desk, whilst the larger practices could use exactly the same system on a much more powerful computer.

Development of the system started over a year ago and it is now completing its final test phase in two solicitors' installations in Surrey and Suffolk.

It is an accounting system handling time-recording, financial accounting and general ledger with comprehensive management reports which will provide significant benefits to the legal profession.

From the basic entry of time records from daily or weekly time sheets, all time transactions are stored by matter (the term used by solicitors to describe any client assignment) on an open-time basis. The system provides for three automatic charge rates and one cost rate per fee-earner. Detailed reports on fee-earner performance highlight aspects such as the ratio of productive to non-productive work, number of matters being processed, the forward workload for each fee-earner, total amount of unbilled disbursements held relating to each fee-earner, and the amount outstanding on bills delivered.

Burroughs Machines, Heathrow House, Bath Road, Hounslow, Middlesex. 01-897 3751.

## Personal machine

HEIGHTENED performance—plus power usually embodied in a minicomputer—are offered in a desktop computer and integrated package system from Hewlett Packard, King Street Lane, Wokingham, Berkshire RG40 3AR (Wokingham 724773). 507N (01-440 3426).

Both products come from the Vershared "Micro" which can convert shredded microfilm, microfiche, and aperture cards into file particles or small chips.

Depending on the model, shredding occurs at speeds of between 12 ft and 36 ft per minute, and the powder or chips are collected in bags at the base of the units.

Also marketed are units which "fragment" unwanted computer print-out at rates of up to 10 ft per minute.

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**TRACER PHONE**  
Integrated telephone and paging  
CASS  
Cass Electronics Limited  
Phone 0448 6286 for information

The desktop unit is known as System 35 and it is optimised, generally, for one user at a time. It has the largest memory for its class and an assembly language capability to improve performance by two to 100 times, according to application.

The basic machine has 64k bytes of read-write memory (extendable to 256k bytes) and has been designed to meet the increasing demand for stand-alone computers that can be used both by the scientific and engineering sectors.

Extra performance comes from an assembly language option which allows experienced programmers to work directly with the machine's central processor. In order to fulfil the diverse interests of industrial and scientific users, two machines are offered—one has an integral CRT display, while the lower cost "B" version has a single 32-character alphanumeric display.

Both models provide enhanced basic, high level programming language which allows users with only a minimum knowledge of computing to interface efficiently with computers. Further system refinements include a tape cartridge directory in read/write and a "hard memory" error detect message system.

## SECURITY

### Fiche in chips

NOW AVAILABLE is a range of portable machines known as the Vershared "Micro" which can convert shredded microfilm, microfiche, and aperture cards into file particles or small chips.

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## FINANCIAL TIMES SURVEY

Wednesday September 20 1978

## Italy's Industrial Triangle

The triangle formed by Milan, Turin and Genoa is the home of the greater part of Italy's economic activity. It produces most of the country's exports and more than half of its industrial output—and has also seen much political violence in the recent past. It is there that the Government's recovery plan will be put to the test in this autumn's wage negotiations.

## Where the money is made

by Paul Betts

SECURITY  
Fiche  
chips

LOOKING BACK, many northerners increasingly feel that when Garibaldi was unifying Italy he should perhaps have headed north to Switzerland and not south. Northerners in Italy regard themselves essentially as Europeans and mostly think that way. They view the South almost as an unwanted appendage, adding back the country's economic and social development along European lines. They see threatening to pull Italy further into the Mediterranean. 15 per cent of Italy's agricultural output. Farming is on the decline and the largely income-stent public administration in one as incompatible with the seeds of a modern industrial economy.

It is not altogether surprising that the north of Italy could feel that way. It has always boasted a natural superiority over the other half of the country. Piedmont was, the cradle of Italian as much as 90 per cent of the city. The presence of Fiat, Italy's largest private enterprise, transformed Turin, the

old capital of the Kingdom of Savoy, into the new capital of the country's engineering industry. For its part, Lombardy has traditionally been the heart of the Italian economy, and its capital, Milan, is not only the country's banking centre but in many respects a more important modern cultural centre than Rome. And Liguria, with its port of Genoa, completes the three-pointed industrial triangle, which has acted as the bridge between the intricate network of large, medium and small industries in the area and the outside world.

But this area, with its 15m inhabitants accounting for about 30 per cent of the country's population, steeped essentially in a European rather than a Mediterranean tradition, is much more than Italy's industrial heartland, contributing to well over half the country's industrial output and the majority of its exports. The fertile plains of the River Po dissect it in two. And while industry and agriculture do not always co-exist happily, the Po Valley nonetheless accounts for nearly half of Italy's agricultural output. Farming is on the decline and the largely income-stent public administration in one as incompatible with the seeds of a modern industrial economy.

Indeed, agriculture was perhaps the main stimulus to the industrialisation of the area. The intricate irrigation system of the Po Valley is one of the most extensive in the world. The fertile plain accounts for nearly half of Italy's agricultural output. Farming is on the decline and the largely income-stent public administration in one as incompatible with the seeds of a modern industrial economy.

and pig farming on an intensive scale. Some 70 per cent of agricultural production is accounted for by products of animal origin, while about 30 per cent is made up by cereals, including rice, cultivated on a large scale. However, while encouraging mechanisation and modern farming techniques, industry has also undermined the agriculture of the area. The Po Valley suffers increasingly from industrial pollution. Flooding occurs regularly because of inadequate protection. Random deforestation inevitably provokes severe damage to agriculture when it rains. Farm labour has become scarce as it is continually absorbed by the cities.

## Driving

Unemployment in the area is well below the national average. Incomes are well above the average. With its vast array of large, medium and small industries, the triangle has acted as a driving force in Italy's rapid industrialisation during the last 30 years. It was instrumental in creating the so-called economic miracle or, as the Italians call them, "the boom years of the 1960s". In so doing, it served as a magnet for the unemployed from the depressed South.

In many respects, the triangle has acted as a barometer of social, economic and political change in modern Italy. Having spearheaded the economic miracle, the great industrial concentration of the North was the breeding ground for the growth of the labour movement. Politically too, the North was among the first areas to see the

evolution of Italy's left-wing forces. The Christian Democrats, the largest political force in the country as a whole, are a minority in these northern regions, where the Communists and the Socialists hold sway. The Communists, on the surface at least, have demonstrated a pragmatic rationale by firmly defending private enterprise.

In a similar vein many private entrepreneurs have opened a growing dialogue with the Communists, who, they feel, could help moderate the trade union movement and indeed bring some improved efficiency to the country's bureaucratic machine. In the case of the Christian Democrats, the industrial North has traditionally reflected the more liberal wing of the long-ruling party.

In recent months, however, there have been a number of significant political developments in the North, especially among the Christian Democrats. A new breed of young northern Christian Democrat deputies has emerged, who are increasingly challenging the current governing alliance in which the Communists are supporting directly (for the first time in some 30 years) a Christian Democrat minority Government. These deputies have sought to alter the conventional image of the ruling party. They are attempting to rejuvenate it by projecting the party not only as a democratic alternative to communism, but indeed as a constructive vehicle capable of providing the sort of efficient political environment necessary for stable economic development.

For their part, the Communists have noticeably hardened their attitude towards the Christian Democrats. In large measure, this follows recent local election setbacks and growing concern among the party's rank and file over the current alliance with the Christian Democrats. But like the developments inside the ruling party, it also reflects the general state of malaise that the present uncertain political and economic climate has inflicted upon the country.

In recent weeks, too, a growing crisis of identity has emerged within the left-wing parties. In regional terms it is reflected in the surging development of local administrations. The Socialist Party, Italy's third political force, is attempting to express a greater degree of autonomy from the much larger and powerful Communist Party. At present the debate within the Left has been conducted on tortuous questions of ideology. The Socialists in particular have questioned the Communist position of embracing a pluralist policy but at the same time not breaking away unambiguously from the old doctrines of Lenin.

But behind the ideological controversy there is much more. In the wake of electoral gains at local elections, the Socialists appear to want to take advantage of the current popular tide in their favour. The seeds of this recovery were sown earlier this year in Turin at the Socialist National Congress, when the party's leader, Sig. Bettino Craxi, succeeded in consolidating his position at the top of the party.

The recession, in large measure, has fuelled the accepted, will according to the developing strains in the Government enable a higher spread throughout the country, to bail out the South.

political life not only of the country as a whole but also inside the triangle. The years. But a key feature of the programme will be the Government's ability to persuade the surface enjoy the wide support of the other parties, but its survival ultimately depends on its ability to steer the country out of its present crisis. If the problems of the depressed South have been exacerbated by the recession, the industrial triangle has not been spared.

## Pronounced

The concentration of industry in the North has made the recession all the more pronounced. The crisis of giant groups like the Milan chemicals conglomerate, Montedison, which is estimated to lose some wages. The next weeks are likely to be crucial for Italy and the North. In many respects, the recession may appear to have been so far spared from the more visible and dramatic effects of the recession that have afflicted the South. But the underlying theme of political violence and the rise in the ordinary crime rate in Italian everyday life, in the North more than anywhere else in the country, remains very much a reality. It has altered life in the triangle's main cities such as Milan and Turin, which now seem to become deserted after dark.

In part, the vast movement of people from the South has brought with it huge social problems, not only reflected in the rising crime figures but also providing a fertile ground for political terrorism. After all, the "hot autumn" of 1969, which day it will once again be called, to bail out the South.

and, stable level of growth to increase employment in coming years. But a key feature of the programme will be the Government's ability to persuade the surface enjoy the wide support of the other parties, but its survival ultimately depends on its ability to steer the country out of its present crisis. If the problems of the depressed South have been exacerbated by the recession, the industrial triangle has not been spared.

In its wake, Milan, Genoa and Turin have become among the main targets of terrorist activity. The so-called ultra-Left Red Brigades movement has flourished in the underwood of discontent of factory workers and students in the major cities. Industrialists, magistrates, journalists, police officers and other public officials have increasingly become victims of these extremist movements. This year, the Red Brigades, who claimed responsibility for the assassination of Sig. Aldo Moro, the former Christian Democrat Prime Minister, launched a major intimidation campaign in Turin to block the trial of their so-called "historical leaders".

Against this general background, however, there is now some qualified optimism that in the medium term the general economic and social situation could improve if agreement is finally reached over the Government's proposed three-year recovery plan. Certainly, despite the uncertainties existing in the relationships between the various political parties, Italy is at the moment enjoying a degree of political stability, for the first time in a decade. But the North is feeling that at the end of the day it will once again be called, to bail out the South.

a series of extremist movements both on the Right and on the Left started to proliferate in Italy. In December 1969, a major terrorist act took place in Milan when 14 people were killed and several others injured in the bombing of the Banca dell'Agricoltura branch in Piazza Fontana in the city centre.

In its wake, Milan, Genoa and Turin have become among the main targets of terrorist activity. The so-called ultra-Left Red Brigades movement has flourished in the underwood of discontent of factory workers and students in the major cities. Industrialists, magistrates, journalists, police officers and other public officials have increasingly become victims of these extremist movements. This year, the Red Brigades, who claimed responsibility for the assassination of Sig. Aldo Moro, the former Christian Democrat Prime Minister, launched a major intimidation campaign in Turin to block the trial of their so-called "historical leaders".

Against this general background, however, there is now some qualified optimism that in the medium term the general economic and social situation could improve if agreement is finally reached over the Government's proposed three-year recovery plan. Certainly, despite the uncertainties existing in the relationships between the various political parties, Italy is at the moment enjoying a degree of political stability, for the first time in a decade. But the North is feeling that at the end of the day it will once again be called, to bail out the South.

## MILAN TRADE FAIR

April 14-23, 1979

## THE ANSWER TO YOUR QUESTIONS: WHO TO PRODUCE FOR - WHAT TO PRODUCE - HOW MUCH TO PRODUCE

Milan, the industrial and trading center of Italy, prides itself on three main features to sustain its reputation in the world. One of them is the Duomo, the great Gothic Cathedral, with its *Madonnina* dominating the city from the topmost pinnacle. Another is the Scala Theater, world famous as a temple of opera and song. The third is Milan Trade Fair, ever active in the interests of international commerce and trade.

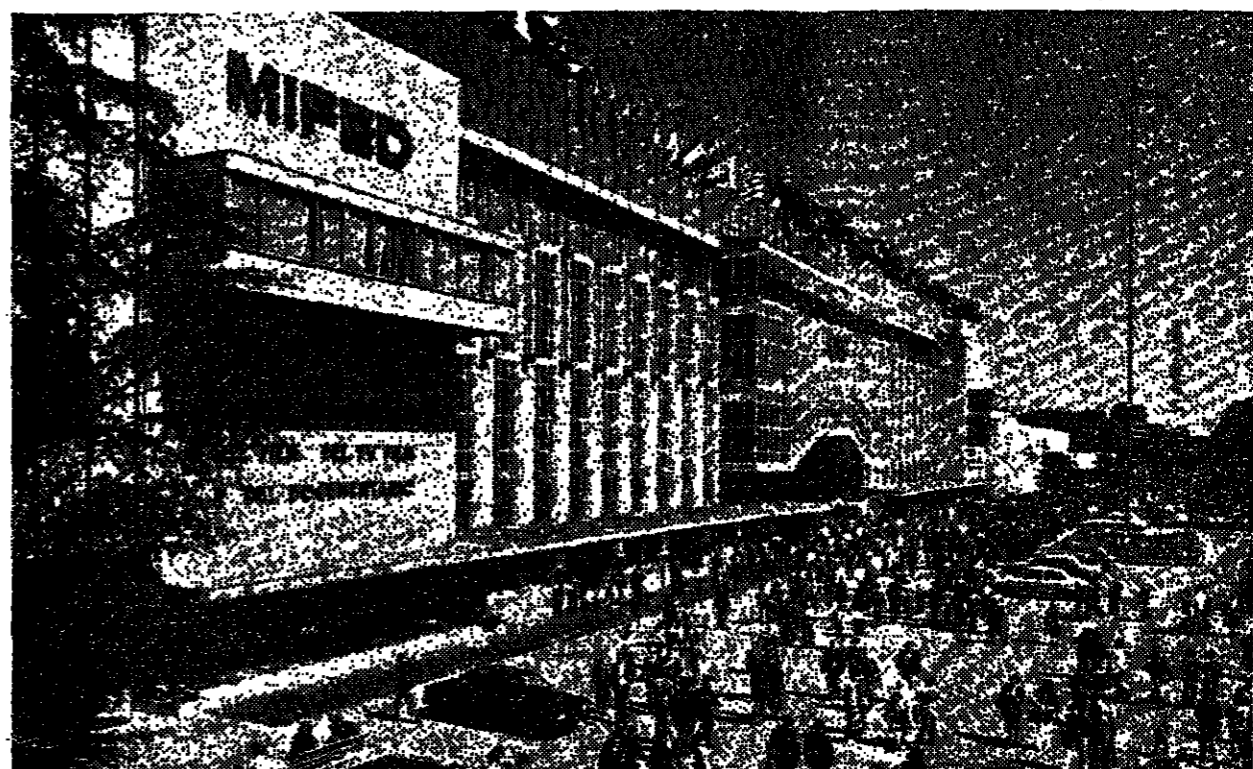
For more than fifty-five years this International Fair has played a highly important part in the business world. And in the last ten years it has developed its "Great Fair" program, which presents a succession of over fifty specialized trade shows held round the year on 300 or more exhibition days.

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The year's work starts on 1 May and continues until the Trade Fair closes on 23 April of the following year. During those twelve months it accommodates an unbroken series of exhibitions and salons run by independent bodies but stemming from the main organization, which is Milan Fair.

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For information contact: Fiera di Milano, Largo Domodossola 1, 20145 Milano, Italy, Phone 4997, Cable Fiera-Milano, Telex 37360 Fieramil, or Milan Fair Representative: Dr. V. Schiavazzo, 20 Savile Row, London W1X 2DQ ☎ 01-734 2411



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Sailors  
fter them

S

## ADVERTISEMENT

## BRESCIA

## —A Region of Investment Opportunities

The Province of Brescia is situated in the centre of Northern Italy, in the eastern part of Lombardy bordering the Venetian province. During its long history it has been influenced partly by Milan and partly by Venice, as can be seen from the architecture of many of its buildings and famous palaces. With industrialisation in Italy, which started at the end of the last century and continued up to the present, the province of Brescia has developed independently from the Milanese metropolitan area, favoured by its geographical situation and abundance of water energy, becoming an independent industrial centre.

The capital city Brescia lies in an area with three main characteristics: the mountain valleys stretching deep into the Alps; foothills surrounding the lakes of Garda and Isèo; and the plain which is part of the fertile Po delta. Covering 4,777 sq. km. and with more than one million inhabitants, the province ranks 19th in area among the Italian provinces and 10th in inhabitants.

By the yardstick of added value, Brescia rates seventh among Italian provinces, or fifth if the industrial sector alone is counted. The reason is the wide diversity of industrial development in the province. All branches of manufacture are in fact represented, with the exception of tobacco industries, and with the main emphasis on mechanical, metallurgical and textile industries.

There are three lakes in the area: Garda, Isèo and Idro. Garda is the biggest lake in Italy, unimpaired by the Latin poet Catullus, remembered by Dante in the "Divine Comedy" and beloved by Goethe; the climate is exceptionally mild, particularly if its latitude is taken into consideration, and an excellent olive oil is produced. All year round, the shores of these lakes are visited by thousands of tourists from Northern Europe, and many visitors come to the thermal springs resorts like Sirmione, Darfo-Boario and Vallo Terme and Anello Terme.

Brescia has excellent railway connections on the Turin-Milan-Venice line and also towards the South for the centre of Italy and the Tyrrhenian ports. As an important motorway crossroads it has convenient connections to Milan-Turin or to Venice, or towards the sea, via Cremona-Piacenza-Genoa and to the North of Europe via the Brenner highway.

Owing to the abundant water-supply, together with a few other provinces of Northern Italy, Brescia has amply contributed to the development of hydroelectric energy by the construction of large dams in its valleys at the end of the last century and in the first half of the present one.

The capital developed gradually after the war and has grown dramatically in the last ten years: 127,000 inhabitants at the beginning of the fifties; 187,000 at the end of 1961; 205,000 inhabitants in 1971 and 215,000 in 1977. In the years 1950 to 1980 the industrial areas of Brescia attracted many agricultural workers. The industrial equipment is mainly new and advanced; more than half the companies are post-1960. There is a healthy mixture of big companies and medium-sized and small firms. All this provides Brescian industry with a certain flexibility and adaptability which have helped to surmount Italy's recurrent economic crises with less dramatic results than in other provinces.

Employment in manufacturing is about 180,000, and the value of export production amounted to about Lit. 200,000m. in 1977 (2.3% of total Italian exports). These exports are directed mostly towards the countries of the European Economic Community and less towards the rest of Europe and the countries of Eastern Europe, USA and North Africa. The most important sector, is mechanical industry, mainly cars, buses, electrical motors, pipelines, machine tools, machines and equipment for the working of metals and plastic materials, agricultural machinery and all branches of the textile industry, the working of bronze and brassware for the production of taps and fittings, handles and various mechanical parts. This area is well-known for the manufacture of copper products for use in the electrical industry and also of heat engineering equipment. There is considerable production of high-quality stainless steel cutlery and household articles as well as pewterware. Brescia is famous for production of firearms where its reputation was established in the XV and XVI centuries.

Its shotguns are not only valued for their precision, quality and accuracy, but also for the elaborate chasing which makes them collectors' items. Such is the demand, that Brescia has now even started to produce replicas of its own antiques. At the height of the world crisis Brescia's steel industry could actually claim to have invented a form of reinforcing rod which is noted for its fluted surface, and widely used in the construction industry. Iron working in Brescia had ancient origins but declined after the introduction of smelting furnaces. Brescians started to produce rods with small equipment from wartime scrap. Companies mushroomed to satisfy steadily increasing domestic and international demand, ploughing back their profits. Very soon they reached quite technologically advanced and efficient levels in die-casting and rolling. Steel production in the province in 1976 was about 3.3-4 million tons while the rolled products increased to approximately 4.5 million tons.

If this represents the most important manufacturing activity in Brescia we must not forget the textile industry's important role in the production of yarn as well as ready-to-wear goods. The footwear industry has recently started but has succeeded in a relatively short time in reaching a respectable position both in domestic and international markets. The timber industry also has an important place in making furniture, fittings and prefabricated houses. Quarries produce marble including the famous Botticino, granite, building stones and other aggregates. The countryside traditionally raises cattle, pigs and poultry, for meat and eggs. In spite of the emigration of farm workers, the agricultural economy is prosperous, with excellent local cheeses.

The hillside vineyards produce excellent wines which are recognised as appellation contrôlée products and appreciated by connoisseurs.

The regional authorities have recently designated certain development areas in order to obtain a better balance of heavy and light industrial production throughout the province. They are fortunate in being able to draw on a reservoir of skilled and diversified labour and of professional people.

## ITALY'S INDUSTRIAL TRIANGLE II

## Economic climate becomes brighter

NORTHERN Italians — especially industrialists — have a habit of dismissing Rome and the economically depressed southern part of the country with a condescending aside — "Those who can do; those who cannot, preach or become politicians." Of course, it is not altogether original, but it does indicate something of the persecution complex common to Italy's industrial triangle, a deep-seated feeling that the entrepreneurs of the North just about keep the country going, despite the worst intentions of the Southerners and, viewed from Milan, Turin or Genoa, that includes the political and the bureaucratic capital of Rome itself. It is not wholly a delusion.

The fact is that the economy of Italy is very largely that of the region analysed in this survey. True, economic decisions, in the sense of national planning — or at least what purports to be such in Italy — are patched together mainly in Rome by the so-called social forces — the politicians of "all parties" (the qualification is important right now, given the nature of the present governing alliance, which is not a formal coalition but not too far short of it), the employer organisations, the highly-politicised trade unions, and the regional authorities.

But the industrial clout is here in the North, and this is where the money is made. In Rome it is spent, predominantly in massive subsidies to the South. Northern entrepreneurs react not so much with resentment as with critical acceptance, and one wonders what levity would be left to them if that standard conversational aside ("You know it is all the fault of those politicians in Rome") was removed. What would set apart each working day (week-ends for industrialists are for the lakes or the mountains, the so-called "summer houses" which have an all-year round functionality) if they had not this particular aspect to talk about to critics. Otherwise, it would be the dull, but important, task of making money and, at this, businessmen in Italy's northern region are very good.

## Better

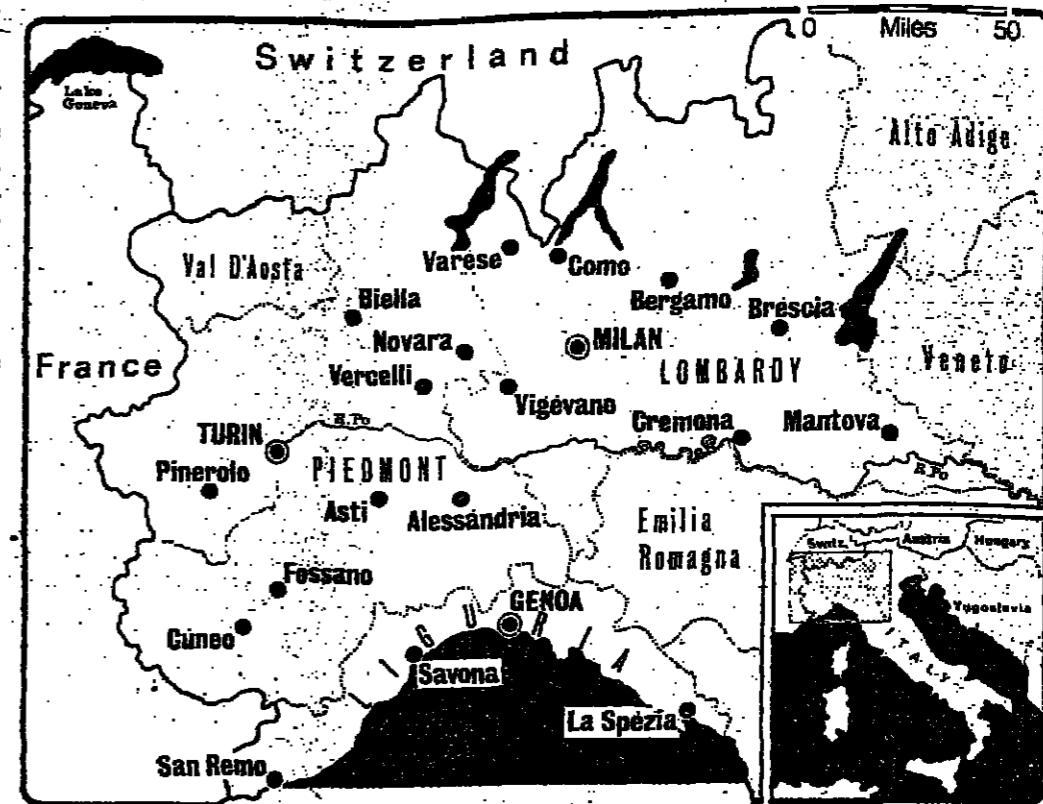
They will seldom admit to it, least of all to "outsiders" (a euphemism for any place much further south than Florence). And sometimes, too, not even to their own outside accountants. But their mill manages to grind its own grit and, by general consensus, "1977 was a good year." The prospects for 1978 appear to be even better.

Although of course there are exceptions, not least in the massive chemicals companies and in food processing. But even here there is a feeling that the politicians down in Rome are finally awakening, albeit under trade union pressure born of some concern for rising unemployment, and are planning — or certainly talking about — reconstruction and reconversion. Another euphemism, this means, in its Italian context, further state intervention to save some lame ducks, and political pressure on the banking system to form consortia to help in legislation now before Parliament — and including some useful tax rebates to banks willing to fund outstanding credits at preferential interest rates.

But these problem companies — the petrochemicals group, Montedison, is the most notorious in the region, and by no means the only one — are the stuff of almost daily newspaper headlines. And of course they are politically sensitive, since they employ vast numbers and traditionally have been at the heart of the political patronage system. But they do not represent the core of the northern industrial triangle. This is to be found in the literally thousands of privately-owned companies which operate, through good year and bad, quietly if with complaint, but mostly with profit.

Inevitably, being downstream, they suffer somewhat from the reversals at the mouth, from the controversial industrial giants, who remain the problem cases overburdened with short-term debt and over-exposed to international market trends, but the "small fry" retain flexibility and their managers are quick on their entrepreneurial feet. To most of them, the long-term is next year, the long-term is for the "planners" down in Rome. Product lines are geared to to-day's market. To-morrow's trends, too, can be met by some quick re-tooling and a degree of labour mobility which is rarely in the small print of the centrally-negotiated labour contracts, but which local trade union officials can easily identify as a "must".

This is the labour-management technique which is at the heart of the success of the northern industrial belt, even if



both sides have a vested interest in keeping it quiet. But what they cannot do is isolate themselves totally from the national scene, for they are very much a part of it. Right now, in the view of most northern entrepreneurs, the Government is putting an excessive emphasis on talk and promise, but little on anything immediately concrete. There is also a distinct feeling that the state sector, not private enterprise, may get too much emphasis — and too much subsidised money — in any recovery programme. Viewed from the triangle, there is far too much talk and too little action, and the fear is that the pants management, adequate and generally profitable to date, may not be enough for the future if the industrial functionality if they had not this particular aspect to talk about to critics. Otherwise, it would be the dull, but important, task of making money and, at this, businessmen in Italy's northern region are very good.

statistics — a year-on-year decline in industrial output of almost 21 per cent on the basis of first half comparisons — is not immediately visible. Viewing industrial activity in the Milan-Turin-Genoa region, one can, however, readily understand another set of national statistics which show that Italian exports in the first six months of this year have advanced in value by more than 14 per cent, against a rise in imports of only 3 per cent. Given a rough estimate of little more than 5 per cent in the price of both imports and exports, the Italian performance is impressive against existing world trends, and the export impetus is predominantly in this region.

Again, it should be remembered that the underlying strength of the area is that this achievement is not the result of a few big groups, but the imaginative work and enterprise of thousands of small companies where the boss is close to the shop floor and the export manager is in almost daily contact with the production line. There is also, for example, the flexibility which can accommodate the temporary return to a plant of a couple of dozen former (and now married) operatives in order to meet a particular delivery schedule.

## Rivalries

The rivalries are between areas — it is not uncommon for people from Genoa working in, say, Milan, to return "home" at weekends — not whole regions within the country. It comes back to the same old Italian thing that the northerners make the money while the Romans spend it — mainly on the Southerners! Unquestionably, Italy would indeed be a much poorer country if the wealth

Dominick J. Coyle

## Bourse begins to recover

AT LONG LAST, the Milan bourse is in the throes of a recovery. Prices have jumped by 25 per cent since the start of this year, and stockbrokers are confidently forecasting a further strong increase. "All the signs are for the market to go on up, and only up. It could go up a long way," one leading broker confidently forecasts. After a slump which had lasted for around three years, the sudden revival in trading has been a life-saver in a market where business had dwindled to extremely low levels.

The past few weeks have been full of excitement for the stock exchange. First of all came the announcement of plans for Bastogi, Italy's oldest holding company, to incorporate its more profitable property subsidiary Beni Stabili. News of these plans, which formed part of a financial renaissance project for Bastogi, set off a wave of speculation, pushing both shares up, and with them the rest of the market.

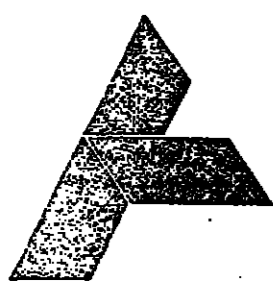
Then came reports of potential Arab investment in Montedison, Italy's financially troubled chemicals giant, which has long been one of the bourse's biggest problem-children. The identity of the reported Arab investors remains shrouded in mystery. But the chemical firm's shares have shot up to well over their par value

for the first time since the spring when Montedison devalued its capital to cover losses. Almost simultaneously came the news of the astonishing success of Olivetti's L40bn (around £25m) rights issue, its first for 17 years and the first major rights issue in recent years to have met an unequalled success on the Italian market. So strong was the public response that a banking consortium formed to back the issue did not need to step in, and several major corporate shareholders of Olivetti were also left with no shares to subscribe to.

A few days later, Fiat announced a spectacular increase in the breakdown value of its share, brought to light in connection with the detachment of its car manufacturing activities into a separate operating company. The new estimated breakdown value of the Fiat share, as of the start of next year, is L4,475, nearly double the breakdown value at the start of 1978, four times current bourse prices, and well above the L1,000 a share paid by Libya for a stake in the company less than two years ago.

Elsewhere in Italian industry, yore, "Communist policies a

CONTINUED ON NEXT PAGE



## ANSALDO group

an Italian newly-formed organizational structure grouping five IRI-Finmeccanica companies operating in the thermoelectromechanical and nuclear sectors

ANSALDO  
BREDATERMOECCANICA  
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## ANSALDO Group's Tasks

- to promote the overall capacities
- to develop increasingly advanced technologies
- to gain new competition areas

## ANSALDO Group's Organizational Structure

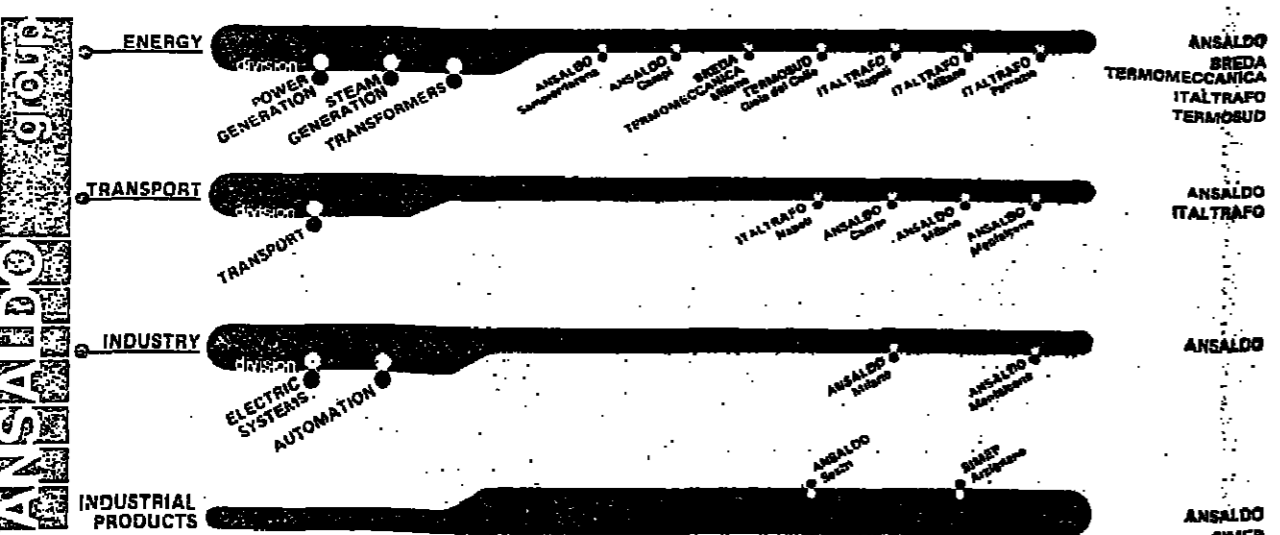
All the operational units, such as companies, divisions and plants, have been linked to ANSALDO — i.e. the Group's leading concern — and their previous fields of activity have been organized in four main business areas:

## ENERGY • TRANSPORT • INDUSTRY • INDUSTRIAL PRODUCTS

all of which operate at present in accordance with fully independent although closely integrated managerial lines.

With 7 divisions, 11 plants, 16,000 employees and an order book totalling 540,000 million liras in 1977.

ANSALDO Group takes on a leading position within the Country's thermoelectromechanical and nuclear sectors.



## ITALY'S INDUSTRIAL TRIANGLE III

## GENOA

## Port in need of an overhaul

THE MEMORY of Christopher Columbus perhaps best shows the extent that Genoa symbolises Italy's attachment to the sea, the role of shipping in the Italian economy, and the importance of the Mediterranean to Europe.

Blessed with an advantageous geographical location that in modern times has made it the natural port for Italy's industrial triangle Genoa was for centuries one of the most flourishing and productive shipping centres in Europe.

But in the past two or three decades Genoa has been slow to adapt to the new demands of modern transport. More recently the world crisis in shipbuilding and steel has dealt a severe blow to two of the city's main economic activities, and smaller ancillary industries have inevitably been affected.

The port was ill-prepared to receive the container traffic that began to arrive in the late 1960s. Now, ten years later, 80 per cent of the general cargo handled in Genoa is containerised, but facilities are still inadequate. The resulting low productivity of the port has meant disproportionately high costs per container/hour, to shippers, who have gradually turned to North European ports where their overall costs may be as much as 50 per cent less.

## Largest

Genoa is still Italy's largest port, with 50m tonnes of cargo handled last year. And despite competition from the Tuscan port of Livorno (Leghorn) it still holds the first place in container traffic. The city is now trying belatedly to reorganise and modernise its port in an attempt to regain its competitiveness in Europe. To do so, it must overcome problems of space funds and organisation.

The city has always had a problem of space. Squeezed between the waterfront and Genoa, Ansaldo and Italimpianti, steep hills that rise directly behind Genoa, has no hinterland. Space has been robbed from the sea by using landfills to build the airport and a number of industrial plants, a rare exception among the including the huge Italsider companies of the state industry steelworks. But the port itself group, is in the black, and

badly needs more room. Only 10 per cent of the 2.5m sq metres of port area which sprawl along the length of the city are currently suitable for container traffic. By comparison, the entire port of Hamburg with 3m sq metres is geared to containers.

The port also suffers from financial problems. The central Government in Rome, under constant pressure to favour the country's depressed South, has delegated available funds to so many different ports that the net benefit to each has been negligible. At a time when rapid modernisation of Genoa is essential the port receives L100m annually from the state, while spending L20m a year for its maintenance.

The port's effectiveness has also been weakened by poor organisation. Container handling is slowed because of lack of space and equipment. Disagreements among political parties involved in port management and conflicts between the port authority and the powerful dock workers' union have taken their toll. In one epic battle resolved only a few months ago, a L500m overhead travelling crane used to move containers sat idle for two years while the two organisations squabbled over whether the right to operate it belonged to the dockers or the port authority workers. At stake were two jobs.

The very gravity of Genoa's situation may be responsible for what many members of the business community see as small signs of improvement. The mass unemployment that the labour unions feared when the "Italia" company, three years ago, began converting from passenger to mercantile transport has not come about, and the unions appear to have somewhat softened their former militant stand.

## Reluctant

But for the time being, private investors are still reluctant to put their money back into shares, after having had their fingers so badly burned by the collapse of share prices in the past. High yielding Treasury bills and bank deposits have instead lured away a substantial amount of investment capital from the bourse. And although interest rates are now falling it will take time to bring private investors back to the stock market. Stockbrokers have become an extremely estimate that only around 1.5m Italians hold shares, one of the lowest proportions to total population in Western Europe. The main investors are banks and institutions, and much of the market volume is made up of dealings in a relatively small number of major shares.

Encouragement for the prediction of a genuine recovery on the Milan stock market has come from abroad, and the recent upturn in Milan stock market prices has been aided by apparently substantial buying of Italian shares by foreign investors. Swiss and West German banks seem to be the most active in this respect.

Recently a prominent London stockbroker, De Zoete and Bevan, issued a stock market letter to investors recommending them to take a look at Italian shares. At their recent low prices, coupled with the advantages for foreign investors, particularly in Switzerland and West Germany, of a weak lira exchange rate, Italian shares have become an extremely attractive investment. With the Milan stock market rising and the hope of greater stability in

Ansaldo, whose exports have shot up from 10 to 50 per cent of production in two years, is breaking even.

The region of Liguria has recently commissioned Italimpianti to develop a plan for restructuring the region's three ports: Genoa, Savona and La Spezia. By next year the engineering company should present the results of its research which could be a blueprint for a concrete project to rationalise port activity.

The blueprint may take into account another plan drawn up by the port authority and already approved by the Government for a new container terminal at Voltri, on the western limits of the city, which would add 1.7m square metres of area for containers. "We hope that having a workable project in hand will carry some weight when the time comes to present it to Rome," commented Sig. Agostino Carosino, president of the Liguria region.

## Pillar

Projects under way to strengthen the other pillar of Genoa's economy, the steel industry, are almost as ambitious. The Italsider steelworks is the city's largest industry as well as one of the state's most spectacular loss-makers. Italsider's disastrous financial situation has been exacerbated by the world steel crisis and by the company's own investment programme, which has required heavy borrowing. Last year Italsider lost L395bn and had accumulated L4,000bn in debts, whose servicing cost L475bn—20 per cent of total turnover.

After devoting most of its energy in recent years to the new plant at Taranto in the South, Italsider, whose headquarters is in Genoa, is getting around to modernising its Ligurian operations. Of the L400bn of investments planned in the region in the next three years, the lion's share will go to the plant at Cornigliano, just outside Genoa, which alone employs 8,000 people.

Genoa is peculiar in that the vast majority of its industry, under the umbrella of the giant

Christine Lord

## Bourse

CONTINUED FROM PREVIOUS PAGE

now openly in favour of business and the stock exchange," one stockbroker said.

Their pressure on the Government for reform of public finances can only be of benefit for the economy as a whole. Union leaders too, like Luciano Lama, the communist Secretary General of the CGIL, Italy's largest and communist dominated trade union, are preaching a policy of wage moderation to allow increased industry investment and more jobs. A series of major contract renewal negotiations due to open this autumn will be the real test of the new moderate union philosophy. But there is no doubt that the unions' increased willingness to negotiate and their admission of the past follies of excessive wage demands materially improve the chances for an industrial recovery in Italy.

Italian companies are still severely under-capitalised, and high debt and interest charges are one of the main debit items on industrial balance sheets.

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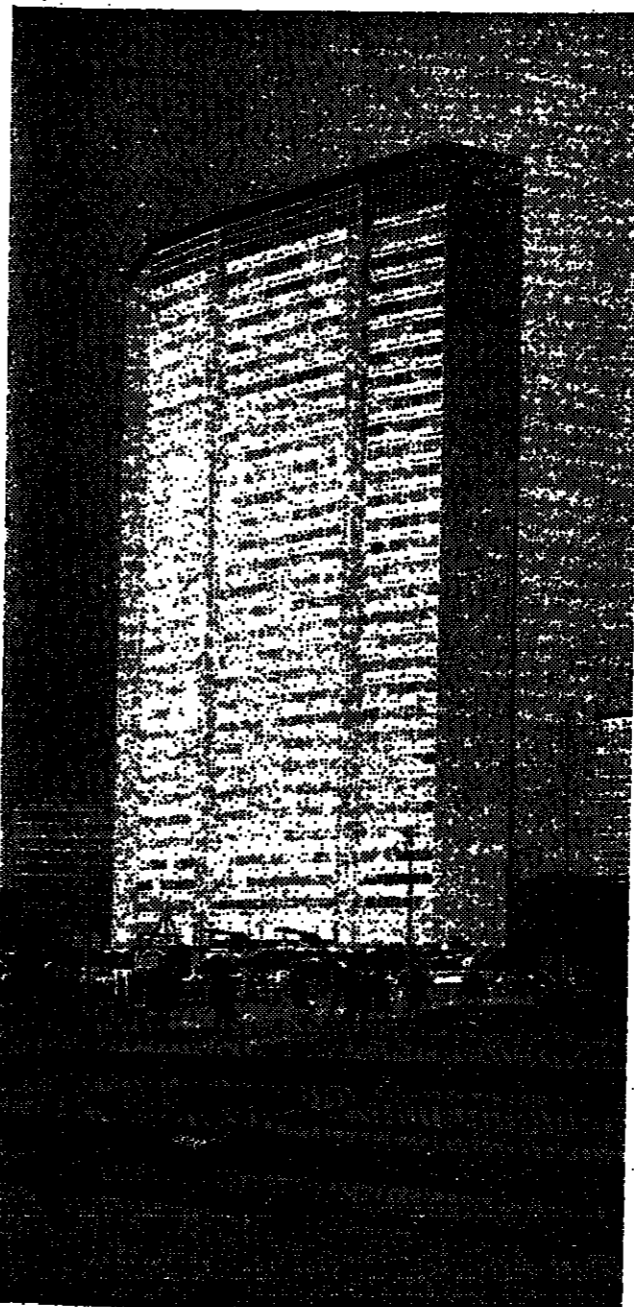
CARIPLO

takes up a lot of space in the Italian banking picture.

\*CASSA DI RISPARMIO DELLE PROVINCE LOMBARDE

## LOMBARDY:

the most European region of Italy



The Lombardy Regional Administration recently bought the Pirelli skyscraper in Milan as its new headquarters.

## Lombardy

is by historical tradition, geographical position and social and economic character the most "European" of Italy's 20 administrative regions. Ranking as it does 48th amongst the 99 regions of the European Community, it might be called Europe's half-way house.

Lombardy is the first Italian province in terms of population (around nine million) and fourth in area. It produces more than one-fifth (23,550 billion lire) of the national income (112,360 billion lire) and accounts for 18 per cent of private consumption. Compared with Italy as a whole, where the private sector overall is responsible for 88 per cent of the national income, Lombardy shows a proportion of 93.7 per cent. The region leads in per capita income (1,860,000 lire, equivalent to 131 per cent of the average figure for the whole country) and accounts for 28 per cent of industrial income.

## Industry

is undoubtedly the region's most important economic sector. The value of Lombardy's industrial output exceeds 50 per cent of the nation's entire industrial production. There are some 155,000 small, large and medium-sized undertakings in the region, around 18.6 per cent of the national total. There are also approximately 200,000 small businesses in the field of arts and crafts employing almost half a million people.

## Agriculture

in Lombardy produces more than 10 per cent of the country's total agricultural output and is second only to Emilia-Romagna.

## Tourism

is well developed in our region. The arrival of more than four and a half million tourists annually (equivalent to around 10 per cent of the national total) puts Lombardy in third place amongst the regions of Italy for tourism. In financial terms this represents an annual contribution of some 500 billion lire, a fifth of this in foreign currency.

By a Correspondent

**made**

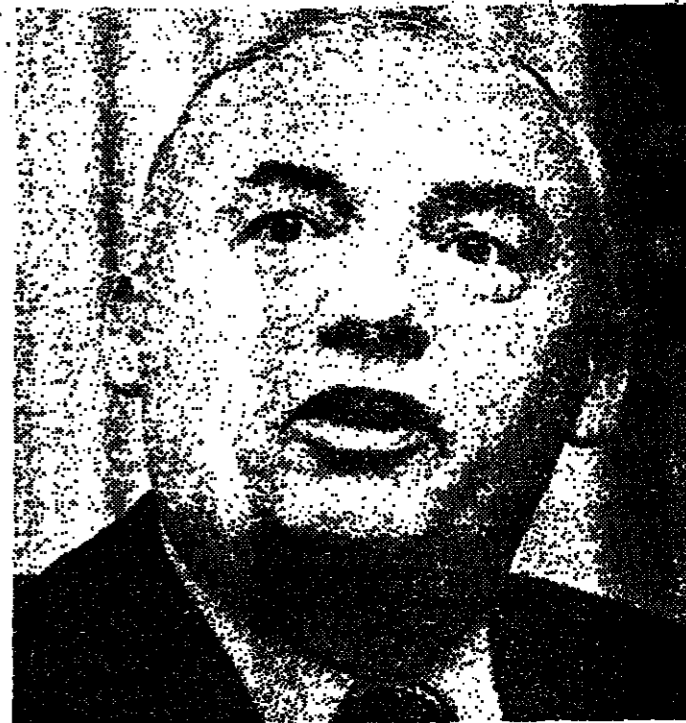
## The Management Page

EDITED BY CHRISTOPHER LORENZ

## Profile

## A new spokesman for managers

BY JASON CRISP



Leslie Tolley: "I am keen on things being done rather than talked about."

ESLIE TOLLEY'S two-year tenure as chairman of the British Institute of Management is like being rather different from the studiously tactful sign of his predecessor, Sir Derek Ezra. Although he does not actually take the chair until the BIM's annual general meeting on October 4, an inkling of a style change in his first official speech last week.

With little ado he launched a right attack on the confusion of Britain's trade unions. They were too manipulated by political extremists, he said, when agreements were made with employers, the unions should control their members so that they stuck to the agreements. And he did not stop at that; he went on to urge managers to organise their affairs so that they were always alternatives to union power. "If the Post Office telephone engineers hold a strike, we must cancel the Post Office monopoly for the supply and servicing of equipment and arrange our own emergency microwave links into a network of another country." That's the sort of talk unions like to call provocative, but then the 64-year-old Tolley likes to shoot straight on the hip.

The chairmanship of the BIM is taken on a rather different

role since the institute first decided to dip its toes into the political pool. Since it changed its constitution in order to adopt a "representative role" in 1976, its chairman has been Sir Derek Ezra, a well-known figure through his chairmanship of the National Coal Board.

To the BIM, Ezra brought the fame he had gained through the NCB, and his familiarity with the corridors of power, acquired from the same office. And with it he brought his ability to pad softly through the minefields and thus upset nobody. The obverse of this is that it has led to the BIM being accused of being too bland, or of sounding too much like the CBI, and this at a time when managers are crying out for a strong voice, and more and more are joining trade unions.

## Apprentice

Leslie Tolley is a different kettle of fish. He left school at 16 to join Morris Motors in Oxford, apprenticed to be a production engineer. And this may be the first clue to the difference in styles: Sir Derek went to Magdalene College, Cambridge. By the time he was 25 Tolley had become one of the youngest ever production managers at Morris, in the radiator branch, which had 1,500 employees.

Two years later he became general manager of the Nuffield body division in Birmingham. By any standards that is a very young age for such a position and it was a post he was to

hold until he was 38. Looking back on that early appointment he says with good humour and modesty: "I never really should have been made general manager then."

Outside events prompted his departure from Nuffield: the merger with Austin to form BMC. "It was not a prospect to my liking," he says, and pauses, leaving the impression that he had had a mighty row, but it is best not mentioned, before going on in a reflective tone, "perhaps events have shown I was right..."

He was head-hunted into what was then known as Renold Chain as works director. Renold looked as if it had good prospects and he liked Sir Charles Renold's ideas on scientific management.

A certain roundness is added to this story because it was Sir Charles Renold who was instrumental in setting up the BIM and was indeed its first chairman. Tolley became managing director in 1982 and through acquisitions, made Manchester-based Renold the company it is today, broadening it out into power transmission. In the year ending April 2, 1978, it had a turnover of £113m, and that was a bad year. Renold makes such down to earth engineering basics as roller chains, gears, clutches and hydraulic motors.

Leslie Tolley is rather like you might expect the chairman of a medium-sized engineering company with international operations to be: straight forward, plain speaking—but quite smooth at the edges.

It is interesting to note that this is the sort of man that BIM believes should be acting as its ambassador. There is a mischievous tale told of how he came to be elected. It is said that Michael Edwards was the heir apparent to Sir Derek, until he was summoned to perform wonderful things at British Leyland. The Sun newspaper shrewdly noticed BIM's problem and speculated on who might be suitable to step in and fill the gap and stated baldly that the one person it definitely would not be was Leslie Tolley. That, say unkind observers, ensured his election.

Tolley became chairman of Renold in 1972. Though this is a non-executive position, Tolley thinks the borderline between executive and non-executive is far less clear than is generally suggested. Three years later, when the institutions were injecting substantial sums into Fodens, the truck manufacturer, he became its new chairman, and has since presided over its turnaround.

In a similar way he became chairman of a plastics and rubber company, Francis Shaw, which was also going through a troubled time. On this occasion it was the NES who had stepped in, taking a 30 per cent stake in its equity.

"My interest," he says by way of explanation, "is in stopping the decline of industry." He describes himself as a "doer," adding: "I am keen on things happening, on being done rather than talked about. I like to

give the right sort of leadership so that I can encourage others."

He is not deterred that he comes to the BIM chair virtually unknown—at any rate compared with Sir Derek—a fact he attributes to the low profile which Renold maintains. "As a supplier of components to every other industry in the world, we never felt we could take sides, because we'd always be upsetting some customer or other."

## Authoritarian

He describes himself as a rather authoritarian and inclined to "say my piece"—characteristics he confesses could create a slight problem for him as BIM chairman. But he is aware that he must be careful to express the views of the collective body of managers, and also to remember he is representing managers of the mixed economy. "Obviously, my background and my activities are all pro-private enterprise."

Tolley is quite emphatic that the subject of his opening speech last week was very much at the forefront of management thinking. He added that there were not many managers these days who would denigrate trade unions but those who dealt with them would recognise the weakness of the unions' constitutions. Tolley insists that he wants the trade unions to be strong; this together with a strong constitution would overcome "this never-ending mili-

tant minority interference," he says.

This belief will prove to be one of the themes of his chairmanship of BIM—although it should be pointed out that during the same week he was speaking Renold itself was threatened by strike action.

A second theme, again introduced in last week's speech, will be the need for managers to organise alternatives, by which he means anything from dual sourcing of components to stand-by power equipment—then there is the point in his speech about telecommunications, something he admitted afterwards was "pie in the sky," but was meant to show a direction of thinking rather than a reality.

He argues that if an organisation is fully geared up with alternative resources the power of the "militant minorities" could be removed—a description which regularly peppers his conversation.

Other themes Tolley says he will promote are the challenges of productivity and efficiency, and pensions. On the latter he says the current approach is bringing about a divided society, and that ultimately everyone should have an inflation-proofed pension.

As for the future of the British Institute of Management, his hopes are for still greater influence on government. "This aspiration is very much in line with the BIM's existing ambitions, and is rather predictable, in that most organisations would like a greater say

in the corridors of power—including many professional groups who already make representations on a similar basis to the BIM, like the accountants, lawyers and doctors. Tolley says he would like to see the BIM's position rise to being "accepted in the top national economic forum" within his two year tenure. A high hope indeed.

## Eligible

One of the BIM's problems in this respect is that it only has 57,000 members out of what could be reckoned as 1m managers in this country. Although the institute itself reckons that only 250,000 of them would be eligible for

membership, it hates to have numbers pointed out.

Tolley himself hastens to emphasise that many more could theoretically be counted in, as most large companies have corporate membership of the institute.

But he does admit that to increase its influence "we might have to widen our representation umbrella to include other professional institutes."

At the institute's headquarters there seems to be a certain optimism about Tolley, that his outspokenness and directness will put the BIM over in a positive way. Of course he may sometimes put his foot in it as well, which is not always a bad thing either.

## EEC food protection laws: not much to chew on

BY DAVID CHURCHILL



IAT infamous tin of salmon might have been part of a con- sideration which ended up in Bordeaux, Bremen or Bologna, as well as in Birmingham. The unfortunate botulism victims could have been French, German or Italian, as well as British.

When the size and destination of the consignment had been established, there was no guarantee that all the tins had been distributed properly. Such is the distribution process that they could have gone anywhere in Europe. So the UK Consumer Association decided on its own initiative to check with its fellow organisations in Europe whether their Governments had been officially told of the botulism outbreak and, if so, what action they had taken.

It found that few governments knew officially of the outbreak and those that did gave unhelpful advice. The Belgian health authorities, for example, were reported as having advised consumers to boil the tin of salmon for 15 minutes as a protective measure. Such action would only have caused the botulism

in any infected can to multiply, according to British experts.

While the Birmingham botulism outbreak has so far proved to be an isolated incident, it emphasises not only the crucial need for Community-wide food safeguards but also suggests the inability of the EEC bureaucracy to cope quickly with such crises.

As Mr. Anthony Kinch, head of the European Commission's foodstuffs division, pointed out last week, the problem was partly the fault of member states.

Speaking at a conference in Rome called by the Commission to discuss food laws and their enforcement, Mr. Kinch suggested that, in order to allow for better co-ordination of services, each member state should have a central authority empowered to initiate and carry through any action agreed at Community level to be necessary.

"This would provide effective means for organising common action in the face of a Community-wide threat, such as in the case of mercury in oranges, or for simultaneous Community-wide checks on particular foodstuffs as a matter of routine, or in view of a particularly widespread breach of a particular provision of the law," he said.

But, as was emphasised at the conference, central organisations exist only in Belgium, France, Luxembourg, Holland and Italy (for imports only). No such central authority, said Mr. Kinch, appeared to exist in Italy (for internal production), Denmark, Germany, Ireland, the UK, although local authorities in Britain have recently set up a centralised body of their own to control food law enforcement within their particular

terms of reference.

If an individual country cannot even organise adequate controls over its own food industry, what chance does the EEC have for harmonisation? It became only too clear at the Rome conference that harmonisation of member states' food laws for consumer protection and fraud detection—not to speak of their enforcement—is still a very long way off.

Given the importance of the food industry within the Community—some 70m tonnes of food are consumed each year and, in value terms, the industry is Europe's largest—it is not surprising that there has been no shortage of Brussels directives and regulations, in an attempt to impose harmonisation from above. The effectiveness of such regulations, however, remains open to doubt.

## Information

Most Brussels action has been aimed at the protection of public health, covering the quality of basic raw materials, the content of food products after processing, and the conditions and methods of processing, marketing, and retailing. Other rules are aimed at protecting consumers' pockets, rather than their health, and ensuring that fraud is detected.

A draft directive currently before the Council of Ministers, for example, deals with the labelling of food products with the aim of giving as much useful information to the consumer "as is consistent with the requirements of the manufacturers and retailers," in the words of a Commission spokesman.

This qualification was felt by number of delegates to high-

light a lack of commitment by member governments: it was thought that the problem was one of attitude, an over-protection of the vested interests of agriculture and trade.

This argument rested on three points, according to one French delegate. First was the old problem of governments allocating insufficient resources to ensuring the effectiveness of food industry controls. Adequate adherence to the food regulations and standards required extensive research facilities and numerous field inspectors—more than most countries were prepared to finance.

Second, governments also showed a tendency to interpret regulations according to the degree of pressure exerted by various lobby groups. Thus, a temporary measure, for example, had been allowed for 16 years in France for the conservation of certain farm butters, although most hygiene experts were unhappy with its use, according to the French delegate.

Thirdly, he said, adequate regulations did not exist or, if they did, they were badly formed or out of date. The Brussels directive on fruit juices, for example, allowed filtration through asbestos—a material which most health agencies were trying to keep out of food industries.

At Community level, the problem remains basically one of harmonising the food protection laws of each member state: it is accepted that enforcement can only be carried out by member states. Specifically, the Community faces a particular dilemma when a breach of food regulations occurs in one country as a result of action by a producer from another country, where the breach is not an offence.

When the offence is a breach of domestic law in both the countries involved, then action can be taken, although possibly resulting in different penalties.

But when the offence is only a breach in one country, then there is little that can be done to penalise the offending importer or producer. Clearly, harmonisation would largely solve such difficulties. But it was suggested in Rome that, pending such action, member countries could immediately adopt a convention which would strengthen existing food laws. Such a convention would ensure that where a foreign producer was in breach of the law, the country involved would be informed immediately and asked to take appropriate action.

While such a convention would help cut down the present bureaucratic delays in cases of this sort, it would still fail to make sure that all breaches were pursued wherever they were committed. With the increasing ease of movement of goods within the Community, frauds that breach national frontiers are more easily organised, and require control to combat them. One speaker in Rome cited the case of an artificial wine being produced in Antwerp, delivered to a German town and handled by an agent in Strasbourg.

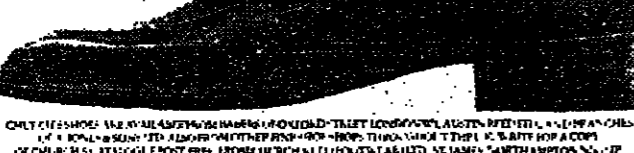
But even preliminary negotiations on such a convention have still to begin, let alone any firm progress being made on harmonisation of food laws. It was felt that the Rome conference might act as a catalyst to speed up such moves, although there were no immediate signs that this might be so. In fact, in some cases, disagreement seemed to get worse.

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LOMBARD

# The pound in your pocket

BY PETER RIDDELL

THE BRITISH Government's decision on whether to join the proposed EEC currency stabilisation scheme is likely to be taken within the next 10 weeks, following only minimal public discussion. Currency matters are hardly the stuff of bar-room debate at the best of times, and the merits of the basket versus the parity grid must rival the corset in their ability to confuse and bore people. Yet what has been surprising, and disturbing, has been the virtual absence of any discussion of the European Monetary System among the informed as well as the general public.

There has admittedly been a ripple of dissent in the past few days from passionate anti-market MPs such as Messrs. Jay, Spear, and Gould, as well as some Press comment, but otherwise almost nothing. Most surprising of all has been the silence from the City, the army—or perhaps monastic order—of brokers' analysts has been more concerned with next month's money supply figures than considering the proposals. This is all in marked contrast to the Treasury and the Bank of England where it is hardly an exaggeration to say that they talk of little else apart, that is, from pay policy.

## Unwelcome

The absence of public debate no doubt suits the present Government since the currency proposals raise a number of acutely sensitive political questions. There is the threat of a reopening of all the long-standing divisions within both the Labour Cabinet and Party over the EEC and the postponement of the general election means that the issue can no longer be dodged. However welcome the relative silence is for ministers, it is unwelcome otherwise. The issue is of major importance and cannot be left solely at the level of technical debate within Whitehall and among a few outside specialists.

For a start, there is the question of Britain's future relations with the EEC—of whether Britain is to hang back yet again from joining in new developments, and hence of whether the UK is content to leave the Community more or less as is. As important as this is a whole series of questions about the impact of the currency stabilisation plan on the domestic monetary and economic policy. A large amount of work has been undertaken within the Treasury and the Bank on precisely these points since the Bremen summit in mid-July.

## Test case

The task of explaining both the scheme and its implications is obviously not easy. But, unless an attempt is made, there is the danger of a decision being taken almost without anyone noticing, except the enthusiasts on either side. The Government could make a start by publishing a Green Paper outlining both the proposals produced by the finance ministers and the implications for the UK economy.

But this is only a half-house and the issue provides a classic test case of the Government's willingness to be more open about the way it makes decisions. The Treasury has already started to open the door to the outside but this has so far been limited. The five working papers published this year cover some important issues—four example, the effects of exchange rate changes and the impact of balance of payments flows—but they are of a theoretical character and do not examine current policy issues.

Further moves towards greater disclosure are apparently now being considered within the Treasury and a start could be made now with the publication of all the background papers on the North Sea White Paper earlier this year where a plain statement of the options was made by the absence of any discussion of the detailed implications. The decisions are too important to be left just to politicians and officials; it is, after all, the pound in your pocket.

GARDENING IS not just an art it is a science. It is a science of growing the plants which you have in mind. You want it. It is also a chance to see the results of your efforts. It is a chance to see the results of your efforts. It is a chance to see the results of your efforts.

This summer, from W. Harrington of 173 North Bank, Wisbech, Cambridgeshire, a wholesaler who sells in batches of ten or more, I have been enjoying very good and cheap *Gypsophila* and purple-mauve *Thalictrum*, *Hewitts Double*. These are plants which the smart gardeners avoid. They think that they belong in florists' shops. But that is precisely their value. They send up clouds of small light flowers to a height of three feet in July and August. These can be fitted into any summer border. They come from a manageable rootstock and do not lie in a nest of heavy stems and leaves too early in the year. The *Gynop.* *Alba* is also sold in a lovely pale pink form which is well worth having. It will need to be propped up. Such it is billowing

heads of flower that the height most delicate, like a rounded grey-green *Aquilegia*. The stems of flower are set with small indigos are another pairing plant which will flower from May till September if you dead-head it. It is a fine match for the smaller Evening Primrose in the front row. If you do not want to buy new purple-blue *Salvia*, you can sow the invaluable *Turkestanica* form, a three to four foot plant with an unmistakable spire of purple, white, dead-head this one in pink and grey-white flower. July and it will come again in heads. This is a plant which will autumn. Conversely, the *Viola* match almost anything, despite "King of the Blacks" which I saw suggested recently from the seed will spread most vividly in front of a bed of white *Rose* *Paschal* or plain white *Iceberg*. Both of these are too seldom good season. A good match with used as a contrast in a garden, the yellow of a late summer Orange daisy and late butter-  
fly. Evening Primroses, though too however strong. There are those who think all these yellowed are simply best when massed together as a yellow and orange border. There is force in such a scheme, but I still prefer the *Salvia*'s lines and bluish-white hollyhocks rounded into full flower. The two go purplish colouring, for in the plain *Salvia* garden, it takes two, to my eye, to make the best success of life.

# Tough Jellaby has the courage to land Doonside Cup

A PARTICULARLY strong jacketed programme of the Ayr this afternoon included the Doonside Cup, the Kyke and Carrick Handicap and the Lad-broke Leisure Handicap, a £5,000 nursery.

All three races have an open look about them and finding winners, never easy here, will be tricky for all but the inspired. In the day's feature event, the Doonside Cup, in which Norfolk Ayr sprang a surprise, a year

## RACING

BY DOMINIC WIGAN

ago, I again intend supporting the tough five-year-old Jellaby. The Ryan Price-trained roan, Ladbroke Leisure Nursery. She is a Lord Gaye chestnut and from Findon, has few peers in Europe over seven to ten furlongs where ground conditions are in his favour.

My one serious doubt about him here is his stamina. This afternoon's 11 furlongs is the equivalent of 13 miles on virtually any other course in Britain and in the final furlong Brian Taylor, the stable jockey, may Stakes than Royal Rex, a half-brother by Royal Prerogative to

## THEATRES

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### OPERA & BALLET

COLISEUM, Credit Cards, 01-235 5252. Reservations 01-235 7761. **THE BOSS OF BATTLE**. Opera. Tonight & Sat. 7.30. Tomorrow, Sat. 7.30. A brilliant new production. **THE BOSS OF BATTLE**. Opera. Tonight & Sat. 7.30. Tomorrow, Sat. 7.30. A brilliant new production.

### THEATRES

ADELPHI THEATRE, 01-235 7811. **LAST WEEKS MUST END**. 12.15, 2.15, 4.15, 6.15, 8.15. **THE BOSS OF BATTLE**. Opera. Tonight & Sat. 7.30. Tomorrow, Sat. 7.30. A brilliant new production.

## GARDENS TODAY

BY ROBIN LANE FOX

The pale sky-blue *Campanula* called *Lactiflora* is a splendid tall July border-plant which sets ripe seed within a month of flowering and can be raised by sowing in the month of May.

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## TV/Radio

† Indicates programme in black and white

**BBC 1**  
6.40-7.30 am Open University (Ultra High Frequency only). 9.30 For Schools, Colleges, 10.45 You and Me, 11.00 For Schools, UK colleges, 12.45 pm News, 1.00 Pebble Mill, 1.45 Fingerbobs, 2.01 For Schools, Colleges, 3.33 Regional News for England (except London), 3.55 Play School, 4.20 Boss Cat (cartoon), 4.45 The

All Regions as BBC-1 except at the following times—

Wales—10.00-10.20 am I Ysgolion, 10.20-10.40 am Ysgolion, 10.40-11.00 am Ysgolion, 11.00-11.20 am Ysgolion, 11.20-11.40 am Ysgolion, 11.40-12.00 pm Ysgolion, 12.00-12.20 pm Ysgolion, 12.20-12.40 pm Ysgolion, 12.40-1.00 pm Ysgolion, 1.00-1.20 pm Ysgolion, 1.20-1.40 pm Ysgolion, 1.40-2.00 pm Ysgolion, 2.00-2.20 pm Ysgolion, 2.20-2.40 pm Ysgolion, 2.40-3.00 pm Ysgolion, 3.00-3.20 pm Ysgolion, 3.20-3.40 pm Ysgolion, 3.40-4.00 pm Ysgolion, 4.00-4.20 pm Ysgolion, 4.20-4.40 pm Ysgolion, 4.40-5.00 pm Ysgolion, 5.00-5.20 pm Ysgolion, 5.20-5.40 pm Ysgolion, 5.40-6.00 pm Ysgolion, 6.00-6.20 pm Ysgolion, 6.20-6.40 pm Ysgolion, 6.40-7.00 pm Ysgolion, 7.00-7.20 pm Ysgolion, 7.20-7.40 pm Ysgolion, 7.40-8.00 pm Ysgolion, 8.00-8.20 pm Ysgolion, 8.20-8.40 pm Ysgolion, 8.40-9.00 pm Ysgolion, 9.00-9.20 pm Ysgolion, 9.20-9.40 pm Ysgolion, 9.40-10.00 pm Ysgolion, 10.00-10.20 pm Ysgolion, 10.20-10.40 pm Ysgolion, 10.40-11.00 pm Ysgolion, 11.00-11.20 pm Ysgolion, 11.20-11.40 pm Ysgolion, 11.40-12.00 pm 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## Would The Real Judy Garland Please...

# Ubu by B. A. YOUNG

# Contrapuncti

# Emmelyou Harris

Emmelyou Harris ought to be ming all round especially for

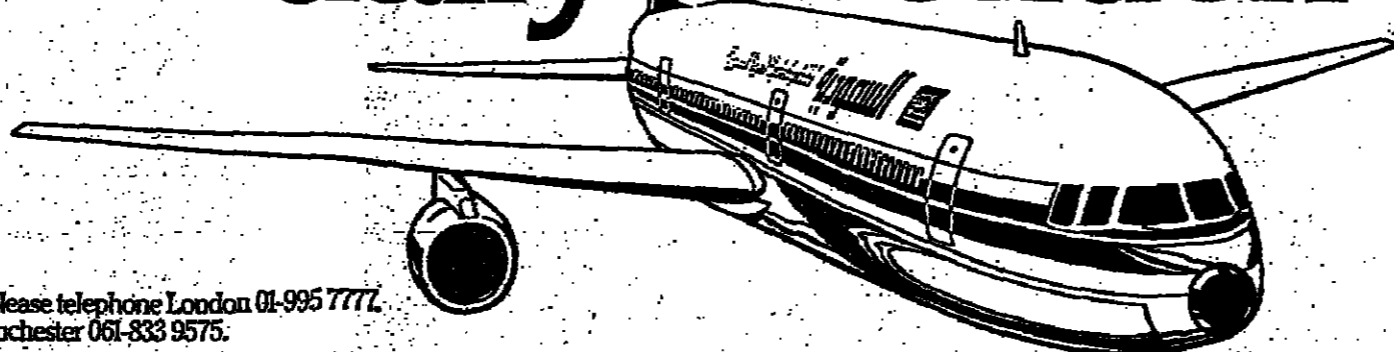
# London Schools

by ANTONY THORNCROFT

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## FINANCIAL TIMES

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Telephone: 01-348 3000

Wednesday September 20 1978

Worse than  
a crime

IT IS POSSIBLE to defend the Committee and to the UN that introduction of economic sanctions against Rhodesia thirteen years ago on two grounds. The first is that the British Government genuinely believed that they might work in the sense of bringing Mr. Ian Smith to the negotiating table and reaching a settlement. The second—and more questionable—defence is that in the light of world, and especially African, opinion it was necessary for the Government to be seen to be doing something to show that it was opposed to UDI—even if the success of British policy was by no means assured. Since the Government was unwilling and perhaps unable to use force, economic sanctions were the only alternative.

## Hypocrisy

Indeed had either the Tiger or the Fearless talks ended in an agreement that fulfilled the six principles for Rhodesian independence, the policy might have been said to have been a brilliant success. By October 1968, however, when the Fearless talks broke down it was clear that not only were sanctions not working, but also that they were unlikely to work in the future unless measures were taken to stop the supply of oil. So much was obvious to observers even at the time, but where observers went wrong was in believing that the poor British Government was doing the best that it could, only to be foiled by unscrupulous foreigners and oil multinationals.

It has taken the Bingham Report to bring out the extent to which that belief was naive. The British Government not only knew—as early as 1968—that sanctions were not working; it also knew why they were not working: and it connived in their breach. Moreover, until very recently, the Government sought to preserve the fiction that this was not the case. The Royal Navy frigate was maintained off Beira—at tax payers' expense—even though the Government knew that that was the one place where oil was unlikely to be delivered because there were secure routes elsewhere. At the same time, successive British Governments continued to deny right to the end that either they or British companies were involved in any form of sanctions-busting.

The charges against the Government are several, but they can be reduced to two broad heads: hypocrisy and incompetence. The hypocrisy is at its most blatant in the case of the Beira patrol. It also runs through all those statements over the years to Parliament, to the Commonwealth Sanctions

Committee and to the UN that somehow British hands were clean. Such statements can now be seen to have been false, and there were people—indeed there are still people—at the heart of British government who knew them to be so. The incompetence is not the usual bumbling variety; it is on a massive scale. It is said that at the beginning the first Wilson Government did not know what was going on because it had not been informed by the oil companies. Even that is a poor excuse: a government that was intent on enforcing sanctions would have made it its business to find out, and it could perfectly well have made known its wishes to the companies concerned. Worse was to follow. The Government actually connived in a deal that allowed, even facilitated, oil to reach Rhodesia by non-British sources. As Bingham remarks, "that alone was sufficient to foster the belief among those involved that compliance with the Sanctions Orders was to be regarded as a matter of form rather than substance."

The first Wilson Government subsequently came to the conclusion that sanctions would only work if they were extended to South Africa, a policy that would have required a naval blockade. It took the view that British economic interests in South Africa were so great that such an approach could be scarcely even considered. Yet the corollary of that was that sanctions had failed and would continue to fail in the future. The Government refused to face up to that logic. It sought to maintain the fiction that sanctions were being enforced in an effort to persuade Black Africa that something was being done. It turns out, however, that some of the African leaders whom Britain was trying to impress were among the first to see through the pretence. Their suspicions have now been upheld by the Bingham Report. Britain, meanwhile, is left looking not only foolish, but dishonest.

## Inquiry

There is talk now of prosecutions. Yet the first requirement is for the release of the official documents which should show how such appalling incompetence and deception were allowed to go on. If necessary, there may have to be a public inquiry. For if the Bingham Report has performed a service that goes beyond exposing the avoidance of sanctions, it has shown that the secrecy Beira patrol. It also runs through all those statements over the years to Parliament, to the Commonwealth Sanctions

Tougher times  
in Holland

THE NETHERLANDS has for long been regarded as one of the leading models of a prosperous, modern welfare state. When international discussions are held on boosting the world economy, it is usually automatically assumed that the Dutch will be among the smaller, more successful nations that can make a contribution to helping their less fortunate partners. So it is perhaps not too surprising that the persistent alarm bells that have been ringing for many months in the Dutch economy have not been more widely heard. As Queen Juliana put it in her speech from the Throne to the Hague Parliament yesterday, "the fact that the economic position of our country gives rise to concern is not sufficiently understood."

## Centre-right

The fact is that the country's economic problems have grown so steadily in recent years that firm action can no longer be postponed—as the new Centre-Right Government seems to have recognised in presenting its first budget yesterday. A highly, perhaps over-valued guilder and escalating wage and production costs are threatening to price Dutch industry out of the international markets on which the country depends for its livelihood.

Inflation, at 4.5 per cent, is low by British standards, but uncomfortably higher than the rate in Germany, the Netherlands' main trading partner. Unemployment has risen above the 5 per cent mark and the growth rate is running well below the 3.5 to 4 per cent for so long. After years in which the welfare state has been steadily developed the realisation is dawning that the country can

no longer afford such high levels of public expenditure. In yesterday's budget, the Government is attempting to tackle the problem from both ends. Acknowledging that priority must be given to a reduction in unemployment, it is proposing a record budget deficit, equivalent to 6 per cent of national income, and increased public spending. The hope is to maintain economic growth at around 3 per cent next year and at the same time make a small contribution to international economic recovery. But the Government is equally stressing that the deficit is the uttermost limit and will not be repeated in the future. On the contrary, this year's budget is meant to mark the start of a three-year exercise that should significantly curb growth in public expenditure by 1981.

A further major plank in the programme is wage restraint, for which the Government again appealed yesterday. The Dutch trade unions have shown considerable responsibility in exercising wage restraint in recent years. But they have only done so in exchange for what they see as the social benefits that have flowed from the advance of the welfare state and the policies of a Socialist-led Government. Now, spending cuts will reduce health facilities and social security benefits. The centre-right Government, while proceeding with some of the legislation it inherited from its centre-left predecessor, has not met all the unions' demands on favourite projects such as worker participation and profit-sharing. So far the unions have been holding their fire. But there must be a risk of a major confrontation when the next round of wage bargaining gets under way early next year.

TOMORROW THE foreign ministers of the Western Hemisphere meet at the headquarters of the Organisation of American States in Washington to consider the increasingly serious conflagration in Nicaragua.

In the space of the past few days the crisis in Nicaragua has escalated from a small emergency in a country about which the outside world knew and cared little to a conflict which threatens to inflame an area where the U.S. and Soviet-aligned Cuba feel they have vital strategic interests at stake.

All the countries of the region are watching the fighting in Nicaragua carefully and calculating how victory for one side or the other could change the local balance of power. Venezuela's action in sending some of its Canberra bombers to the Nicaraguan border has dramatically illustrated how serious and widespread are the repercussions of the actions of the left-wing Sandinista guerrillas against the Government of General Anastasio Somoza.

Interests of  
the family

At stake in Nicaragua itself are the interests of the Somoza family which has ruled since the early 1930s. Then the present Nicaraguan president's father, the late Anastasio Somoza, was put in command of the National Guard and in effective control of the country by the U.S. Marines who were winding up a period of military intervention in the country. Over the past three-and-a-half decades the Somoza family has established itself as a powerful dynasty. The first Somoza bequeathed power to his elder son, Luis, who on his death passed the presidency to the present incumbent who in his turn is grooming his son, yet another Anastasio, to take over. The entrenched position the family has achieved has brought them great riches and a commanding position in the economy, two factors which have been increasingly irksome to radicals of the Left and to independent business on the Right. The Somozas did little to increase their popularity by the juggling international relief funds and land values after the 1972 earthquake which destroyed the capital, Managua.

From the time of the earthquake, the left-wing Sandinista movement stepped up its campaign of kidnappings, bank robberies and hijackings in an effort to topple the Somozas. The Right was a great deal slower off the mark but this year moved into action decisively. It was outraged, on one hand, by the murder of a leading Conservative Party of the Somozas, Sr. Pedro Joaquín Chamorro, editor of the Managua daily La Prensa, and

also afraid that the Sandinistas' reformist or revolutionary sovereignty and territorial integrity of Costa Rica which Against Somoza are ranged nation and represents a danger for the maintenance of peace in the region" which are mentioned in the preamble to the pact. There are moves in Caracas to send volunteers to help the anti-Somoza forces.

The Venezuelan distaste for General Somoza has been heartily reciprocated and in an impetuous outburst in one of his recent Press conferences the Nicaraguan President made the astonishing statement that for the forces which are trying



President Somoza

Guard has been impotent to stifle, the countries of the Caribbean basin are taking up their positions for or against the Nicaraguan ruling family.

Firmly in the pro-Somoza camp are Nicaragua's three northern neighbours, El Salvador, Honduras and Guatemala—all run by military-dominated governments and all as unsympathetic to the Left as is Somoza. These three and Nicaragua are bound together in the Central American Defence Organisations (CONDECA) which has in the past planned joint manoeuvres. General Somoza has publicly warned the world that he will call on his CONDECA partners to help in his struggles with the Sandinistas. The Sandinistas report that Nicaraguan troops have already crossed into Nicaragua and are supporting the National Guard in its operations in the northern towns. The sending of CONDECA troops to Nicaragua would be in line with the desire of the other three CONDECA governments to crush any anti-Somoza movement which could in the future come to the aid of

reforms or revolutionary sovereignty and territorial integrity of Costa Rica which Against Somoza are ranged nation and represents a danger for the maintenance of peace in the region" which are mentioned in the preamble to the pact. There are moves in Caracas to send volunteers to help the anti-Somoza forces.

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forces fighting military regimes, he held President Perez responsible for any future bloodshed in Nicaragua. Such action could turn out to be a costly mistake for him. Venezuela's oil revenue gives it strong leverage in international financial councils, a leverage which will be used discreetly against the Nicaraguan President. September is the month when much personal and corporate tax falls due and the disorder has meant that General Somoza's coffers have not been replenished as liberally as he would have liked.

It was therefore not surprising that President Perez personally ordered a Venezuelan Hercules transport to Managua to evacuate Sandinistas after their seizure of the National Palace last month or that he ordered the Canberras to Central America. In a piece of lightning diplomacy the Venezuelan Foreign Minister, Sr. Simón Alberto Consalvi, last week-end signed a defence agreement with Nicaragua's southern neighbour, Costa Rica, whose parliamentary regime shares much of Venezuela's dislike of General Somoza but which has not got an army. Having abolished its army some years ago, Costa Rica is defenceless against raids being mounted across its northern border by Nicaraguan National Guardsmen in search of Sandinista sympathisers in Costa Rica.

The document signed by Sr. Consalvi and Sr. Rafael Calderón Fournier, the Costa Rican Foreign Minister, does not mention Nicaragua by name but no one could doubt who the two ministers hold responsible for the "hostile attempts against the

Nicaragua has with the other countries of the isthmus also been the recipient of special financial assistance from Venezuela to help with the problems of the 1973 oil price rise which hit the Central Americans particularly hard. Under an aid scheme the Venezuelans agreed to lend to Central American purchasers of Venezuelan oil part of the cost of the oil.

## Trying a squeeze

Lit by six spotlights and stretching across 40 feet of billboard, a massive advertisement greeted those who drove into St. Louis earlier this year: "Our IBM computer system is a lemon," it proclaimed, showing a large picture of the fruit and being signed "A dissatisfied customer." The computer magazine Datamation informs me that the customer finally got action after this forceful protest.

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## Odd islander

Tribal chiefs, ex-guerrillas, village headmen—our august Foreign and Commonwealth Office is wise in the ways of all of these. But its years of experience in negotiating with colonies over their independence is likely to prove of little avail against a new adversary it will face in late November, the Tory MP for Essex SE, Sir Bernard Braine.

Braine chairs the Justice for the Banabans campaign which has just been authorised by the 2,500 dispossessed Pacific islanders to negotiate on their behalf with the British government. This is preparing to give the Gilbert Islands as a whole their independence next year and the FCO tells me that it is

planning to convene the constitutional conference required in about two months. How do they feel about negotiating with the Campaign? "We would rather not comment."

It is only a few weeks since leaders of the Banabans visiting London were rushed around by the FCO from meeting to meeting and given the accolade of a lunch at Stone's Chop House. Despite such hospitality they issued a strong attack on HM Government, demanding self-determination for the Banabans and a decent compensation for the years of stripping of phosphates from their home, Ocean Island.

George Knapp, joint secretary of the Campaign, warns me that any government which tried to pass a Gilbert Islands Independence Bill is in for some sniping from both sides of the House. He tells me that the Bill will be "wrecked" unless the islanders receive "justice." And even if the Bill does go through and the 55,000 people who inhabit the far-flung Gilbert Islands group do gain independence they will also inherit a problem—the U.S. claim to several of the islands, including Christmas Island, once the site of a British atomic bomb test.

Under the title A Resourceful Church? A Church of England leaflet demonstrates conclusively that, if lacking in resources, the Church is at least resourceful. "If each of us gave £1 a week for £1000 of income the Church would not only be able to keep ahead of inflation but could do much more besides," says the leaflet seductively.

This is indeed the case. But by my calculations another way of putting it would be five per cent of salary.

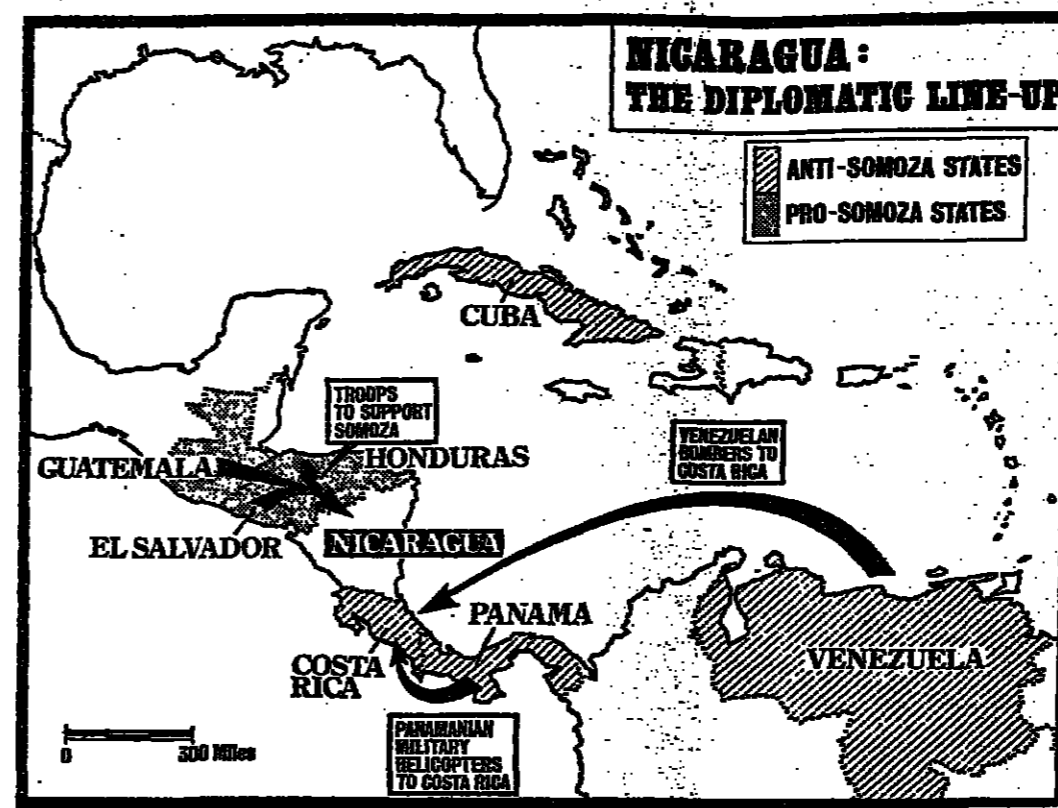
## Number game

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Big strategic interests at  
stake in Nicaragua

BY HUGH O'SHAUGHNESSY, Latin America Correspondent

NICARAGUA:  
THE DIPLOMATIC LINE-UP

ANTI-SOMOZA STATES

PRO-SOMOZA STATES

Given these financial considerations, General Somoza's decision to vituperate against the Venezuelan leader—even before the fighting started—appears particularly ill-judged. Ranged with the Venezuelans and the Costa Ricans are the Panamanians. Though Panama has no effective Parliament and is ruled by General Omar Torrijos, head of the Panamanian National Guard, the Panamanians share a dislike of Somoza and have sympathy for the forces which are trying

problems for the U.S. Nicaragua occupies an important, though not vital, geographical position in an area about which Washington is always very sensitive. In the middle of the last century many travellers who wanted to go from New York to San Francisco by the quickest means found themselves crossing the Central American isthmus via Nicaragua and continuing by sea to California. A trans-isthmian canal might well have been dug in Nicaragua rather than in Panama, and the route has not been entirely forgotten by those who are thinking about a replacement for the Panama Canal.

Having installed the Somozas, Washington looked after them until comparatively recently, calculating that they were bastions against Communism. This was most dramatically demonstrated when U.S. forces from Southern Command headquarters in Panama took charge during the earthquake relief effort. While they relieved suffering they also served as a useful prop for Somoza at a potentially dangerous moment.

Now, however, the Nicaraguan situation is a painful embarrassment to Mr. Carter as he pursues his human rights policy. Washington wants no more of Somoza but is still fearful of seeing a Sandinista government taking over in Managua—despite the fact that the Sandinistas have given assurances that they do not want to instal a Marxist-Leninist, anti-U.S. government in Central America.

Because of the ambivalent U.S. attitude, Washington has given the impression of sitting on its hands, infuriating Somoza by its refusal to send him military aid in an emergency, while leaving the anti-Somoza forces dissatisfied with U.S. unwillingness to follow up its declarations about human rights with effective actions against a persistent offender against these declarations.

Washington is implementing what little policy it has towards Nicaragua by stealth. One can surmise that the U.S. is backing much of Venezuelan policy towards Somoza, and Washington's hand may well be behind the reported decision of the International Monetary Fund to withhold a 40m SDR stand-by credit that the Somoza Government urgently needs to shore-up government finances badly hit by the business strike and the fighting.

Meanwhile as the fighting continues there is another less-remembered victim of the chaos, the Central American Common Market. Still suffering the effects of the "Football" war between Honduras and El Salvador in 1969, this Common Market has not been in robust health for a long time. Chaos in Nicaragua, geographically the largest member of the grouping, is the last thing it wants.

## MEN AND MATTERS

Singing the  
Taxation blues

U.S. Congressmen who believed they had been confronted by every possible form of persuasion are, if not living in the aisles, at least gently tapping their feet to the sound of a song called The Old Risk Capital Blues. A cassette recording of this number has been distributed to every senator and representative in Washington.

The Old Risk Capital Blues is the work of a 38-year-old former Harvard professor and electronics executive rejoicing in the less-than-euphonious name of Ed Zschau. Zschau is chairman of the American Electronics Association and branched out into music when he found himself lobbying on behalf of the association's Task Force on Capital Formation.

"The Old Risk Capital Blues," says the self-deprecating Zschau, "was composed with my tongue in my cheek and unfortunately it probably sounds as though it is sung that way too. I feel he is too modest. His blues have that

whiney-yet-abrasive tone which distinguishes the work of that other practitioner, Bob Dylan. Here is a sample stanza, in case anyone in the Stock Exchange feels inspired to imitate the Zschau style:

"We've got to cut the gains tax rate/  
And risk investment stimulate/  
Which will cause/  
All across our nation/  
Cheers of jubilation/  
New job creation/  
Foreign market penetration etc.

There should be some export potential, to the UK market for one.

## Smoke screens

No one seemed more surprised by the lack of drama at Rothman's annual meeting yesterday than the company itself. There were none of the usual barbed questions of the anti-smoking lobby. Jack Prosser, the company's PRO, tells me he cannot understand what happened to the familiar Action on Smoking and Health contingent.

"Good heavens! Was it today?" asked ASH's director, Mike Daube, when I rang him. ASH is, after all, the proud owner of one share in Rothman's—worth about 22 King-size cigarettes. As an investor he was expecting a copy of the annual report and notification of the meeting. Daube tells me he is writing an aggrieved letter asking what went wrong, and also putting four questions which ASH planned to raise from the floor.

I am, however, able to reveal exclusively and in advance the answers to Daube's 65p-worth of questions. Would Rothman's publish the tar yields of cigarettes sold in Third World countries? "We can only do that if 2,500 dispossessed Pacific islanders do the testing."

And, finally, a hard one: Is the company advertising Dunhill bill shops on television as a

way round the ban on cigarette advertising? "We would be if we mentioned cigarettes, but we don't. A vast slice of Dunhill profits comes from gifts and clothes." The answers came out pat, indicating that Rothman's are well-used to stubbing out ASH's worst assaults.

## Trying a squeeze

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2. Monthly Income Term Shares for a fixed investment period and with interest guaranteed at 1% higher than the Share rate for 3 years. (Present rate 7.7% equivalent to 11.49% at 33% basic rate tax).

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"Sanctions beginning to bite, Harold"



# COMPANY NEWS

## Bank of Scotland downturn to £13.3m in first six months

AFTER BRINGING in the group's share of associates' profits, Bank of Scotland reports pre-tax profits of £13.3m for the first half of 1978, a reduction of 4.4 per cent on the corresponding period's £13.9m and 2.1 per cent down from the £13.6m of the second half of 1977-78.

The interim dividend is 6.0825p per £1 capital stock plus an adjustment of 0.0825p referable to 1977-78. The interim compares with last year's 5.445p which was followed by a 5.445p final.

Profitability will remain susceptible to the same factors as affected the results for the first half-year.

Leading in both sterling and foreign currency, the bank's sub-stantially compared with the corresponding period but slightly lower base rates and narrower margins combined to reduce the benefit of the higher volume of business.

Despite a further contribution from increased commissions, the rise in expenses was such that the clearing bank operations, overall, produced a moderate reduction in profit compared with the corresponding half-year. When compared with the immediately preceding half-year, however, the figures show an improvement, the directors report.

North West Securities, together with their associated companies—now including Henlys—produced an improvement of nearly 10 per cent over their figure in the corresponding half-year but, in view of the rising trend in interest costs, the outcome was less than the very good results of the immediately preceding half-year.

Looking to the remainder of the current year, the directors say it seems likely that expansion of the domestic business will be governed largely by the constraints of the Supplementary Special Deposits Scheme while the international business continues to grow without any similar restriction.

## Halftime fall for Garton Eng.

FOLLOWING THE warning made at the April AGM that unless order intake improved first half profits would not be maintained, Garton Engineering fell from £502,000 to £467,000 for the 1978 period, on higher turnover of £63.0m against £5.91m.

Mr. A. B. Garton, chairman, reports that the company incurred difficult trading conditions in the bolt manufacturing industry, where there is currently excess capacity and increased competition from imports. However, the rest of its manufacturing units are to some extent compensating for these difficult conditions.

The second half-year continues in similar trading conditions and as yet there are no significant signs of recovery in the company's traditional markets, Mr. Garton adds.

For all 1977, a record £1.05m pre-tax profit was achieved.

The net interim dividend is lifted from 2.7p to 3p per 10p share and an additional 0.046p in respect of 1977 is also to be paid, on ACT reduction. The directors intend to recommend the maximum permitted final of 3.363p (3p).

Attributable profits for the period were little changed at £244,000 against £241,000, after a lower tax charge of £243,000 (£261,000) and an extraordinary credit this time of £20,000.

The directors say the higher first half profits were achieved despite the erosion of profit margins due to exchange fluctuations on dollar contracts won in the U.S. and Japan during 1977.

**KUNICK**  
Resolutions to approve and facilitate loans totalling £225,000



Mr. Arthur Southon, chairman of MFI... boom in consumer spending a major factor.

## Expanded Metal to improve

ALTHOUGH pre-tax profits of the Expanded Metal Company, were down from £1.24m to £950,000 in the first half of 1978, the directors say the second six months has started well and the current trend continues, full year profits should not be less than the £2.22m achieved in 1977.

Turnover for the first half amounted to £12.35m against £12.32m. The tax charge is £337,000 (£333,000 restated) and £233,000 (£568,000) is retained.

The net interim dividend is lifted from 1.625p to 1.75p—last year's final payment was 2.03p.

## Jentique turns in better second half trading

AFTER THE sharp fall from £384,800 to £158,300 in the first half, Jentique (Holdings) finished the year to June 30, 1978 with pre-tax profits of £423,624 compared with £355,935 previously.

And the directors say the better trading conditions enjoyed in the second half, has improved in the current year and endorse the view that higher profits of the 1977-78 second half will be more than maintained in the first six months this year.

A final dividend of 1.28665p is recommended making a total of 2.299p for the year—last year a total of 0.3931p was paid.

Capital prior to a one-for-two scrip and consolidation of the 5p shares in 25p.

Earnings per share are shown as 3.22p (3.87p adjusted).

**Turnover:** 1977 1978  
£6,020,000 £7,279,000  
**Profit before tax:** 423,624 355,935  
**Tax:** 168,572 249,160  
**Net profit:** 255,052 306,775  
**Dividends:** 174,873 136,490  
**Retained:** 79,979 170,285

## MFI leaps ahead to top £5m on sales of £55m

AFTER MORE than doubling its pre-tax profits to £1.71m in the first half, MFI Furniture Centres reports a sharp increase from £1.86m to £3.24m for the year ended May 27, 1978. Turnover surged ahead from £33.78m to £55.04m.

The first three months of the current year have been excellent as well and shows a satisfactory level of increase over the previous year, the directors say.

On the basis of the current pattern continuing, the Board expects to report very successful results again next year.

Earnings per 10p share are shown to have risen from 7.8p to 23.6p and the final dividend is 1.206p making an equivalent 2.196p compared with equal to 1.968p previously.

The directors say they will take the earliest opportunity to increase the dividend as legislation and profits permit.

The market has been expecting some dramatic improvement from MFI for the full year but the leap from £1.86m to £3.24m pre-tax outpaced the most optimistic estimates, and the shares rose by 6p to 144p. Sales volume from existing stores rose by 35 per cent before taking into account the benefits of an overall increase in sales area of 15 per cent. The higher level of activity really showed through in net profit margins which nearly doubled from 5.5 per cent to nearly 10 per cent. The upturn in consumer spending has obviously been a major factor behind the surge in sales.

By the end of December, however, MFI has demonstrated its buoyancy of the year and half continuing through this year. By the end of December, however, MFI has demonstrated its buoyancy of the year and half continuing through this year.

## J. B. Holdings ahead at midway and expects record year

ANNOUNCING TAXABLE profits ahead from £228,000 to £297,000 for the first half of 1978, the directors of J.B. Holdings, construction and mechanical engineering, say all divisions are trading profitably and they anticipate the current year figure will not be less than the record £2.7m for 1977.

Half-year earnings are shown at 4.31p (4.46p) per 10p share and in order to apportion payments more equally an interim of 0.5p (1p) net is to be paid—last year's final was limited to 0.06p due to continuing dividend legislation.

The directors state that a decision as to a final will be made when 1978 results are known and in conformity with any restrictions then in force.

After a 12 per cent period stood at £10.33m (£9.97m). After a tax charge of £497,000 (£482,000) and dividends costing £78,000 (£100,000) including a first time preference payment of £23,000, retained profits emerged at £351,000 against £345,000.

With effect from June 30, 1978, the outstanding 50 per cent of Scotlax Inc. not previously owned has been acquired by the group so that it is now a wholly owned subsidiary and not an associate, as before.

Extensive management re-organisation has already taken place at Ecotelec, which assembles and markets road suction cleaners in the U.S., and the directors anticipate that it will contribute usefully to group profits in the future.

## Increase by County & District

ALTHOUGH TURNOVER was lower at £1.37m against £1.37m, available profits of County and District Properties jumped from £278,653 to £296,412 for the year ended March 31, 1978. At midway, the net result was ahead from £111,568 to £245,055.

After a 12 per cent charge of £54,883 against £30,800, yearly earnings rose from 2.5p to 5.25p per 10p share. As forecast, a maximum permitted final of 0.4422p makes the net total for the year 0.8778p (0.782p), absorbing £37,780 (£78,200).

The directors say there has been continued improvement in the office and financial strength of the group, which now has available unused lines of long and short-term finance in excess of £4m.

## Timeproof plan

A new low-cost life protection plan The Timeproof Plan has been launched by the Smith-Sternau Organisation and underwrote Cannon Assurance. The plan provides life cover over a period, which can be irrespective of the state of the individual for a period of 10 years up to age 65. The amount of cover automatically increases by 10 per cent each year, in the event of accident or illness, the policyholder has the right to this automatic increase and to pay the same premium for the same cover. The plan is eligible for life assurance relief and premiums are waived in the event of accident or illness lasting more than six months.

## Associated Sprayers

Associated Sprayers has restructured to facilitate growth. A new subsidiary, Airflow, has been formed to operate company and parent now operates as a holding company.

Mr. H. E. Newton remains as chairman of Assoc Sprayers Ltd. together with R. W. O. Beney as vice-chairman and chief executive. Two directors have been appointed: Mr. H. C. Cottrell and Mr. H. H. Halloway.

## ISSUE NEWS AND COMMENT

### Bristol Water £5m stock issue

The Bristol Waterworks Company is raising £5m by offer for sale by tender of 7 per cent preference stock 1983 at a minimum price of 97.50 per cent.

These are exactly the same terms as the East Anglian Water Company's £2m offer at the end of July.

The Bristol stock is payable as to 10 per cent on application (by September 26) and the balance by December 4.

Interest will be payable half yearly in April and October. The first dividend, on April 3, 1979, will be at the rate of 2.378 per cent.

The stock will be redeemed on November 30, 1983 at par.

At the minimum tender price the stock's running yield is 10.72 per cent while the redemption yield is 11.11 per cent.

Brokers to the issue are Seymour, Pierce and Company and Hoare Govett.

### Intl. Thomson dealings start

Dealings start today in the shares of International Thomson Organisation following the approval in the High Court at this month of the proposal for the scheme of arrangement between Thomson Organisation and the North Sea interest: Thomson Scottish Associate J.A. UK listing has been granted to International Thomson common and convertible issued to former ordinary shareholders in Thomson Organisation in accordance with the terms of the scheme of arrangement approved by the court, will shortly be sent to all ordinary shareholders in Thomson Organisation requesting the completion of a declaration of residence for UK tax control purposes in respect of International Thomson securities.

### Yearlings ease to 10%

A certain amount of pent-up demand has probably developed since the last water issue by East Anglian two months ago, so Bristol Waterworks should get a good response in the market.

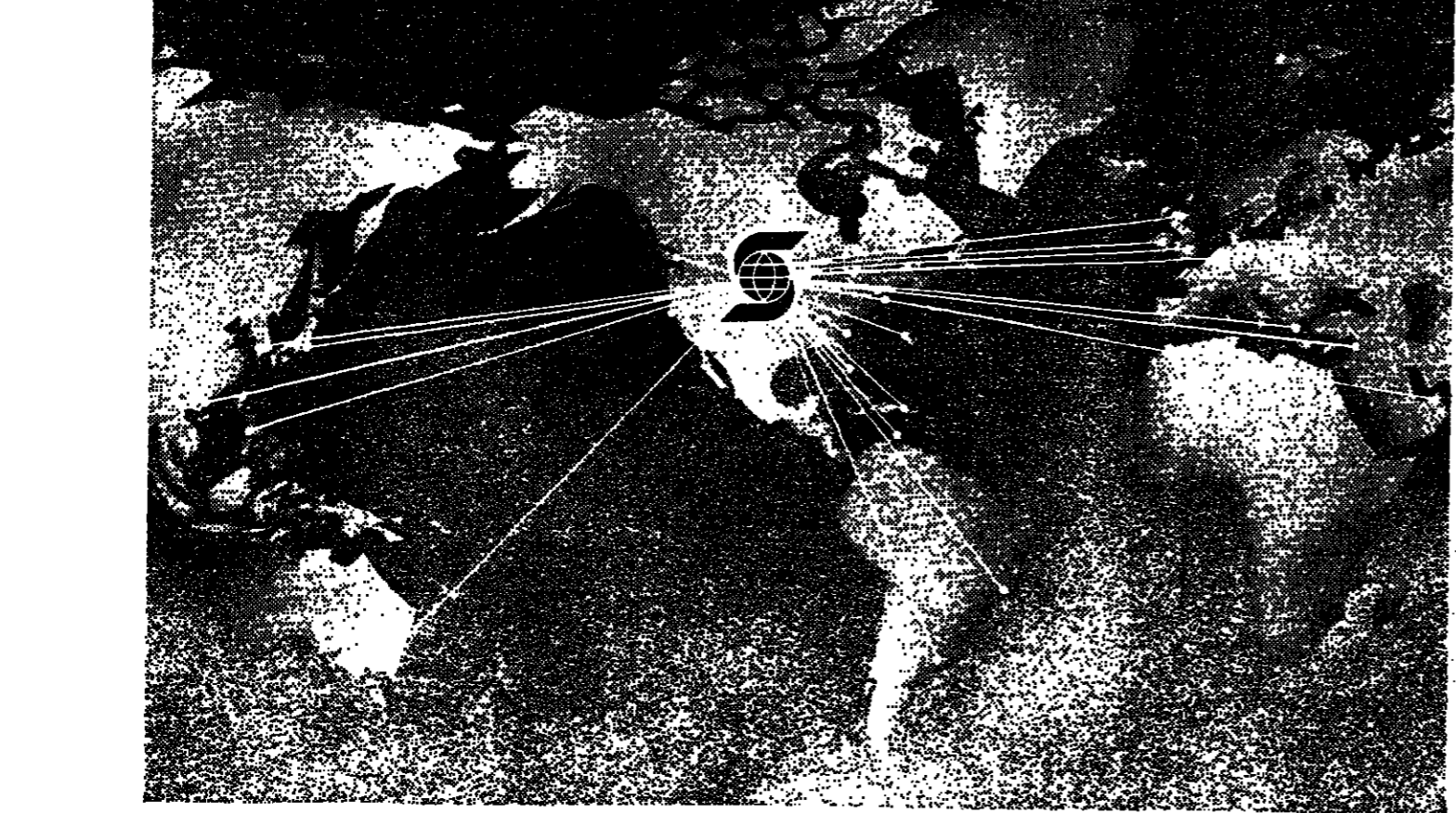
East Anglian is yielding 10.64 per cent running and 10.94 on redemption so tenders will have to be pitched around 98 per cent to get any stock. At that level the running yield is 10.66 per cent while the redemption yield is 10.98 per cent though the fine tuning on tender prices will depend on the market on Monday afternoon.

### Dividends Announced

	Current payment	Date of payment	Corresponding dividend	Total for year
Aurora	1.48p	Nov. 30	1.22p	—
Bank of Scotland	6.08p	Nov. 5	5.45p	—
Bemrose Corp.	2.14p	Nov. 17	1.91p	—
Boddyco	1.45p	Nov. 30	1.3p	—
Copydex	0.75p	Oct. 27	0.7p	—
County & District	0.44p	Nov. 10	0.79p	0.98p
Energy Services	0.3p	Nov. 10	1.62p	—
Expanded Metal	1.75p	Nov. 30	2.7p	—
Garton Engineering	3p	Oct. 25	0.35p	1p
F. & C. Eurotrust	1p	Dec. 5	0.34p	2.21p
J.B. Holdings	0.31p	Jan. 5	1.19p	2.19p
Leisure	1.29p	Nov. 14	0.5p	—
Law Land	0.5p	Nov. 14	0.5p	—
S. Matthews	4.5p	Nov. 3	4p	—
MFI	1.21p	Nov. 27	1.5p	—
Minty	1.65p	Oct. 27	1.5p	—
Rowan & Boden	0.6p	Nov. 23	0.55p	—
Geat. H. Scholes	14.52p	Nov. 23	12.39p	18.32p

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On c increased by rights and/or acquisition issued in 1977. ‡ Plus special in 0.078p for 1977. § Plus additional 0.044p for 1977. || Plus addi 0.039p for 1977. ¶ Plus additional 0.0825p for 1977-78. \*\* On c prior to one-for-two scrip and consolidation of 5p shares into 25p. †† To reduce disparity.

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## The Talbex Group Limited

### DIVIDEND FOR THE YEAR ENDED 31ST JULY 1978

When circularising shareholders on 16th February, 1978, in connection with the bid for James Warren & Company Ltd and again in a circular sent to shareholders on the 7th July, 1978, when it was proposed The Talbex Group Limited should acquire A.P. Skelton (M&G) Ltd., the Directors of The Talbex Group Limited intimated it would be their intention to recommend the payment of a dividend of 0.55p net per Talbex share (equivalent to 0.8333p inclusive of the related tax credit) for the year ended 31st July, 1978, compared with 0.27489p net (equivalent to 0.4165p inclusive of the related tax credit) for the previous year.

Both bids were successful and the Directors now advise that agreement to pay the increased dividend of 0.55p net per Talbex share (now equivalent to 0.82089p inclusive of the related tax credit) has been received from the Treasury which will be automatically followed by its formal consent to the actual declaration provided current regulations are still in force at the time, or if new regulations do not prevent prior commitments of this kind being honoured.

It is the intention of the Directors to recommend the payment of this dividend when the preliminary results for the Year Ended 31st July, 1978, are announced.

## Bemrose back to growth with £1.25m mid-year

TURF to profit growth, with a pre-tax level from £1.25m, was achieved by Bemrose Corporation, the publishing group in the half to July 1, 1978. This follows a return in the second six months of last year when losses of £1.25m were transferred to the surplus to £1.25m, leaving the 12 months down from a peak £1.25m.

The group as a whole for the second half of 1978, reasonably good though economic forecasts and demand levels are not to predict, particularly in the plant coming on stream in third and fourth quarters of the directors plan for profit expansion and this to contribute to the group's overall growth, however, during the period and therefore, depends on the volume and prices of acceptable margins can be achieved in the company's less profitable businesses, they explain.

For the half-year, the group's net interim dividend is to £1.25p (1977) per share, as a result of the same tax rate, a special dividend of £0.25p is to be paid in 1979. Last time the dividend was £1.25p.

At the end of the six months, aimed at further modernisation and expansion of existing assets reached £1.25m. Due to the working capital needs, the group has a cash outflow of £1.25m and net bank borrowings up to £1.25m (£1.25m) in 1978.

Directors say this amount within the group's total facilities and funds, which to members' funds, stood at £1.25m (£1.25m), group has continued to expand its growth and profit in 1978 in its main activities in flexible printing, security and confidential printing, and calendars, and the benefit of investment directed into these more profitable and economically stable activities, they state.

The first half performance came from academic publishing and from fine quality books. In addition, following the management action taken towards the end of last year, two of the smaller businesses that made losses in 1977, Alf Cooke Bag Unit and Scolar Press, are now making profits in reasonable trading conditions.

The dual market for cartons, which adversely affected sales in the latter part of 1977, has not improved as had been forecast. The effect has been to hold back planned increases in carton profitability, current margins being too low to yield the desired return on capital employed.

The benefits of the selective expenditure on more efficient machinery and buildings are expected to start to show during the coming 12-month period, they say.

There are only limited signs of improvement in the world demand for printed polyester apparel and neither Bemrose Transfer Prints nor Alf Cooke Transfer Prints are making a contribution to group profits.

However, significant savings have taken place in the group's New York office has been closed, the lower cost structure being essential to the future viability of the business in the severely depressed trading conditions of the textile industry.

### comment

The dull market for cartons is inhibiting improvement in margins at Bemrose. While pre-tax profit for the half-year was slightly ahead margins

## Peak £2m from Scholes ter second half boost

LITTLE changed midway who became a director in February, has been appointed executive deputy chairman of the group.

Mr. Roger Pinnington was, for family reasons, unable, after the announcement, to take up the invitation to join the Board made at the time of the acquisition of the A P Skelton Group.

### Earnings up at F. & C. Eurotrust

After a lower tax charge of £27,300 compared with £70,000, net profits of F. & C. Eurotrust improved from £77,700 to £85,200 for the year ended June 30, 1978.

Gross revenue advanced from £253,200 to £315,500, but after management expenses and interest amounting to £163,000 (£106,500), pre-tax profits fell by £4,200 to £182,500.

Net earnings per 25p share were better at 1.4p against 1.04p and the dividend is lifted from 0.85p to 1p net.

Net asset value is shown at 69.7p (59.9p) per share.

### RICHARDS AND WALLINGTON

Group net profits of Richards and Wallington, the plant hire concern, increased from £9.85m to £10.4m in the first half of 1978, after tax of £18,000 (£16,000). In last Friday's report the profit figures were incorrectly described and Mr. P. J. de Savary, as being before tax.

## Derek Crouch

im Report for the six months ended 30th June 1978

	6 Months ended 30.6.78 (unaudited) £'000	6 Months ended 30.6.77 (unaudited) £'000	12 Months ended 31.12.77 (audited) £'000
over	18,108	14,985	30,854
Ings before Tax	1,148	933	2,487
Ings attributable areholders (Taxation)	588	488	1,252
Ings per share	6.04p	4.83p	12.91p

Directors are pleased to announce an increase in both turnover and profits for the first half of 1978.

acquisition in the U.S. commenced trading in April 1978 and a anticipated loss was incurred to 30 June 1978, but operations are profitable.

Group's liquidity position remains strong and I am confident the results for the year ending 31 December, 1978, will be disappointing to shareholders.

Directors recommend the payment of an Interim Dividend for of 1.2872p per Ordinary Share (last year 1.1527p) payable on October 1978 to Shareholders on the Register at 29 September.

D.C.H. Crouch has waived dividends amounting to £15,018 amounting 99% of his personal entitlement.

total amount payable to Shareholders is £108,827.

D.C.H. Crouch  
Chairman.

Derek Crouch Ltd.  
Head Office: Peterborough PE8 7UW  
Telephone: Peterborough 222341 Telex: 32129

## Lotus stays on good course

THE CURRENT year has continued favourably at Lotus Cars, but much will depend on the on-going improvement in the world economy, says Mr. Colin Chapman, the chairman.

Since the year end the company has been able to offer its home market outlets a dealer financial stocking package competitive with that long enjoyed by representatives of other manufacturers, he states.

As known taxable profits for 1977 recovered from £16,988 to £556,674 on sales of £8.17m (£5.64m).

Profit on net worth reached 24 per cent (10.5 per cent) and on sales of 48 per cent (10.5 per cent), compared with highs in 1973 of 44.5 per cent and 15.7 per cent respectively.

Under an agreement made in September 1977, American Express International Banking Corp. made a £2m five-year loan and demand overdraft facilities of a further £200,000 for the same period, available to the company.

The loan is secured by a debenture creating a fixed charge over the majority of the fixed assets, which at December 31 last, stood at £2.88m (£2.97m), and a floating charge over the majority of all its property, assets and undertakings.

During the term of the loan from £2,000 to £31,000, a marginal decline in pre-tax earnings to £297,000, against £280,000, was shown by Davenport Knitwear for the first half of 1978.

In August, the directors reported that since the first performance seen in the past was unlikely to continue. Last year profit was ahead to a record £253,572 (£253,299) on sales of £3.53m (£3.01m).

The half-year profit was struck after £29,000 (£27,000) depreciation. Tax took £139,000 (£145,000) leaving the net balance at £128,000 (£138,000).

## Bodycote profit down 11% to £0.85m at halfway

IN LINE with the directors' expectations, given the low level of consumer demand in the first quarter, pre-tax profit of Bodycote International, the Manchester-based textiles group, fell by 11 per cent from £557,000 to £501,000 in the six months to June 30, 1978.

Turnover rose by 3.5 per cent from £13.8m to £14.36m in the first half.

After tax down from £485,000 to £244,000 net profit dropped from £472,000 to £417,000.

Earnings per 25p share are shown to have slipped from 5.98p to 5.28p, but the net interim dividend is lifted from 1.3028p to 1.4549p, with the amount absorbed increasing from £102,572 to £114,868.

The directors expect to recommend a final dividend to bring the total to the maximum permitted. Last year's total was £2.7155p and was paid on a record pre-tax profit of £2.04m.

Mr. Joseph Dwek, chairman, reports that since the first quarter, consumer sales on a national basis have shown some improvement "but this has been largely satisfied so far by a substantial increase in imports which little benefit to UK manufacturers generally."

The main difficulties still centre on the performance of the Denby division, where dependence on its traditional menswear business has meant that its profit profile has closely followed the variable textile cycle.

In an effort to resolve this problem and to secure more stability of earnings, Mr. Dwek says that the directors have decided to invest £750,000 during 1978-79 on a continuous process dyeing and finishing plant for the processing of cotton and cotton/polyester fabrics.

The chairman says this project has considerable profit potential and will provide Denby with an entirely new product area. Expenditure is to be financed by an unsecured loan repayable in ten equal annual instalments. This will conserve current liquidity.

### comment

With cheap textile imports, still in the pipeline, the upturn in consumer spending in the second quarter has had little effect on Bodycote's first half results, and profits slipped by 11 per cent.

Hardest hit has been the Denby menswear business where the switch in demand to more leisure clothing has brought small losses to this division, compared with profits at one time amounting to 35 per cent of the group total.

To try and repair the fortunes of this part of the company, new plant is being installed to produce cotton-based products such as shirt material and sheeting, and this should come on stream by March next year.

Overall, the chairman says that the performance remains the protective clothing and safety products division, which now contributes about 60 per cent of group profits — and this is likely to grow even further.

Trading generally has been better in the second half and with more than £0.1m from new acquisitions, a recovery to at least £2.2 should be possible for the full year. At 68p, the prospective p/e is 5 while the yield is 6.7 per cent, which is a justified rating considering textiles now play such a small part in the group's overall activities.

The group's further improvement stems partly from the fact that British industrialists have now started to respond to the need to invest in new plant. It also reflects the company's strong position in the market place where it can usually offer better delivery days than most competitors, Mr. Norton added.

### Midyear gain at Copydex

For the first six months of 1978, profits of Copydex, maker of adhesives, household products and security devices, advanced from £81,000 to £112,000, subject to tax of £58,000 against £42,000.

In the company's last annual report, the directors said they expected in 1978 a return to at least the profit level for 1976 of £230,000.

Last year, the figure fell to £201,000.

The interim dividend per 10p share is raised from 0.7p to 0.75p net—last year's payments totalled 2.237p.

### Orders up at W. E. Norton

THE ORDER book at W. E. Norton (Holdings), machine tools group, was at a peak level at the end of August. It would have been a record even without the contribution from the recently acquired White subsidiary.

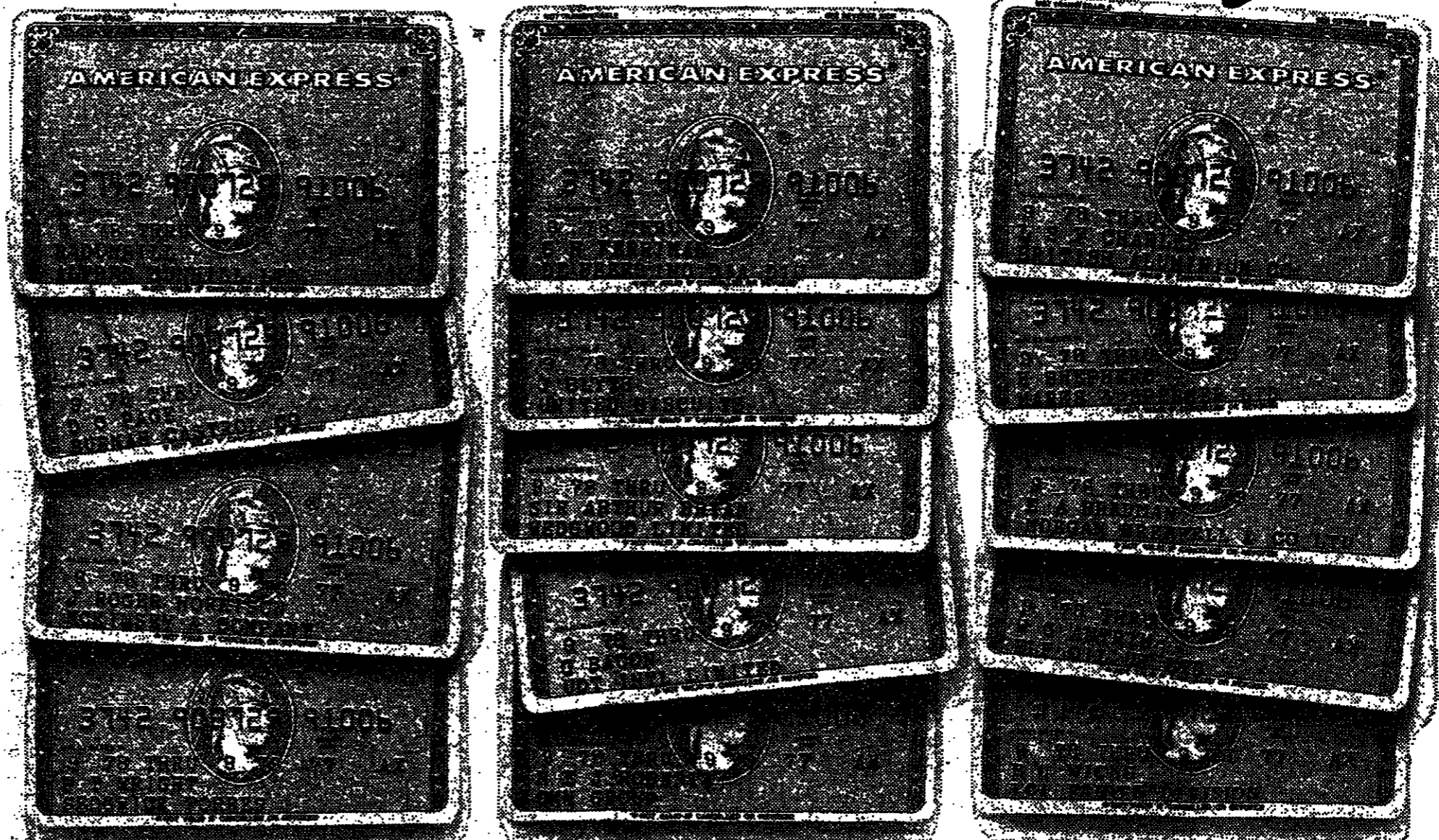
Mr. Walter Norton, the chairman, told the annual meeting.

He said he continued to believe that the current year would be the company's best ever and its future prospects were most encouraging, with growth at the same sort of rate as that achieved in the past six years.

The doubling of sales and profitability in the next three years would be in keeping with this. Currently there is a much better climate for capital investment, he said.

The group's further improvement stems partly from the fact that British industrialists have now started to respond to the need to invest in new plant. It also reflects the company's strong position in the market place where it can usually offer better delivery days than most competitors, Mr. Norton added.

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MEETINGS

MINING NEWS

# Kloof profits heading for a new peak

KENNETH MARSTON, MINING EDITOR

ABLY, the annual statement of the chairman of the Gold Fields group, Mr. Plumbidge, expects a further increase in the current year to next June in line with an expected fall in the cost of the recovery of the gold price. The effects of this on earnings, however, should be offset by the higher gold price and, here again, an increased dividend is in prospect.

Mr. P. W. J. van Rensburg, of Kloof, comments on the relatively short remaining life of the mine. Moves to extend this include the proposed acquisition of 100,000 shares in the company, which would give the group a 50 per cent holding. The acquisition is expected to be completed by the end of the year. The group's production of gold is expected to be about 100,000 tonnes in 1978, compared with 90,000 in 1977. The group's production of gold is expected to be about 100,000 tonnes in 1978, compared with 90,000 in 1977. The group's production of gold is expected to be about 100,000 tonnes in 1978, compared with 90,000 in 1977.

## new snag for Ranger uranium

"on again-off again" in the Ranger uranium project has run into another snag. An interim report from the Northern Land Council, which is the body responsible for the Ranger project, has been received. The report states that the council has agreed to the project, but has also expressed concerns about the impact of the project on the local environment. The council has also expressed concerns about the impact of the project on the local community. The council has also expressed concerns about the impact of the project on the local environment.

## Canadian round-up

YET ANOTHER example of oil majors seeking diversification in the mining field comes with the news that Canada's Home Oil plan an open-pit metallurgical coal mine with an annual production capacity of 4.4m short tons at Elk River in British Columbia. An application is to be put to the BC Government before the year end, reports Robert Gibbons from Montreal. The project will be operated by Elk Mining, representing a consortium of Home Oil (25 per cent), Steel Company of Canada (25 per cent) and a group of West German mining firms (50 per cent).

## he Manufacturers Life Insurance Company

announces that  
(ManuLife International  
Investment Office  
has moved to  
Broad Street House  
55 Old Broad Street  
London EC2M 1TL  
Telephone 01 638 6611  
Telex 885650  
J. B. Mounsey  
Investment Manager

UNDER OF  
e Stock, 1981  
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## THE EXPANDED METAL COMPANY LTD.

INTERIM STATEMENT (Unaudited)

Half Year to 30th June 1978

Chairman's Interim Statement from Mr. S. A. Field

	1978 1st half Year	1977 1st half Year	Full Year 1977
Turnover	12,349	12,316	23,154
Cost of sales	950	1,241	2,217
Gross profit	357	353	628
Operating expenses	591	2	4
Operating profit	591	886	1,585
Finance costs	358	330	749
Profit before tax	233	556	836

In the period 1st January to 30th June 1978, turnover was £12,349,000 and profit before tax was £250,000 (unaudited). Comparative figures for the same period in the last 2 years are given below.

Group Trading and Results: In the first half of 1978 followed much the same pattern as was experienced in the second half of last year. However, the second half of 1978 has started well and if the current trend continues profit for the full year should not be less than was achieved in 1977.

	1978 1st half Year	1977 1st half Year	1977 Full Year
Turnover	10,364	12,316	23,154
Cost of sales	12,155	10,838	22,499
Gross profit	1,778	1,478	3,154
Operating expenses	1,438	976	2,217
Operating profit	320	502	937

Interim dividend of 1.75 pence per share (1977 - 1.625 pence; 6.5%) has been paid payable on 10th November 1978 to shareholders registered on 13th October 1978.

\*Figure of £37,000 is based on an estimation of effects of the change in accounting policy deferred taxation in the annual accounts. Figure for the first half of 1977 has been refigured.

## JAPANESE FIRMS IN AUSTRALIAN COPPER SURVEY

Basic agreement has been reached between Japan's Nishio-Iwai and Sumitomo Metal Mining with Australia's CSR for a joint survey of copper resources in South Australia.

Nishio-Iwai is reported to have signed with CSR this month to survey resources north of Adelaide for three years starting before next January. The Japanese firm will put up the entire survey cost of A\$1.4m (£825,000).

## METALS EX. IN TIN VENTURE

Metals Exploration of Melbourne has taken an option on acquiring an 85 per cent interest in abandoned Mount Biscoff tin mine in north west Tasmania, and as part of a two-tiered deal has given CRA Exploration, a Conzinc Rio-Tinto of Australia unit, an option on part of its stake.

Mount Biscoff is presently owned by Comstaff and Preussag Australia. It was worked as a near-surface mine between 1871 and 1947.

A statement from Metals Ex. released yesterday, explained that CRA Exploration would undertake and finance test work. By proceeding through three stages of exploration CRA Exploration may earn a 51 per cent interest, thus reducing the Metals Ex. stake to 34 per cent with five and Preussag retaining 15 per cent.

If a decision not to develop the property is made by January 1, 1983, the property will revert to Comstaff and Preussag. If the property is brought to production Metals Ex. and CRA Exploration will have to provide the funds, while Comstaff and Preussag will retain a 15 per cent share in the profits.

## TAVISTOCK COAL

South Africa's Tavistock Collieries, in which Johannesburg Consolidated is the chief shareholder with a 53 per cent stake, says in its annual report that the South African coal industry has been promised an annual review of the controlled domestic price of coal every September in future.

In February this year the price was raised by 86 cents per tonne to R7.78 (£4.58) per tonne, benefiting Tavistock for five months of its financial year to June 30. The group sold 3.7m tonnes of coal from its three collieries last year for a turnover of R25.6m and an operating profit from coal of R2.9m. The group's coal production at R5.88 per tonne is one of the lowest in the industry and with its efficient operations, the dividend has risen from 35 cents to 500 cents over the past four years.

## MINORCO

Minerals and Resources Corporation says that in its statement published on September 13 it was announced that the last day to register for the final dividend of 83 of 8 U.S. cents a share for the year ended June 30 1978, was Thursday, September 28, 1978. This date should have read Friday, September 29, 1978.

## Electric & General up at three months

Earnings of Electric and General Investment Group for the three months to August 31, 1978, climbed to £80.145, against £478,127, after tax up from £30,736 to £48,336.

At the end of the quarter net assets value per 35p share was higher at 111p (90p). Earnings per share came out at 0.48p (0.27p).

The result was after interest charges and expenses down from £86,718 to £73,403.

## Floods cut Indian grain crop

THE SUMMER floods in India are believed to have destroyed between 2m to 3m tonnes of food grains, Mr. Surjit Singh Sandhu, agriculture minister, said here today, reports Reuters.

But he said that India's Kharif (summer sown) crop should still be as much as last year's record 77m tonnes because the abundant rains had improved productivity in areas not affected by the floods.

Foodgrains production in 1978-1979 should exceed last year's 126m tonnes in spite of the losses.

Mr. Barnala said there was also some damage to foodgrains stocks and temporary or makeshift shelter in the open, but he was unable to say how much it would be.

There were "some" reports of damage to the Indian sugarcane crop. But losses would not be high since cane was a sturdy crop, he would be damaged only if it was under water for a prolonged period.

However, Mr. Barnala added that the sugarcane content might be hit.

## Tenant group controls flats

A SMALL COMMUNITY in the East End of London has taken over the running of its GLC homes and has become the first council tenants' co-operative in England.

The venture, known as the Stephen and Matilda Tenants' Co-operative, has been set up in a pre-war block of 133 flats in St. Katharine's Way, Wapping. The GLC has spent nearly £300,000 making the block weatherproof and the co-operative members have decorated and prepared the homes.

## U.S. magnesium price to rise

NL INDUSTRIES INC. will increase its price from 99.8 per cent magnesium ingot by 6 cents to \$1.07 pound effective with shipments October 1. The company said, reports Reuters.

The price for grinding slab will also be increased, by 6 cents to \$1.07 per pound.

## BIDS AND DEALS

# Comben close to control of Orme as 44% accept

Comben Group appears to be close to obtaining control of Orme Educational Developments, its fellow house building group. Comben's revised offer had been accepted by holders of 44.4 per cent (8,063,803 shares) of Orme yesterday morning and further acceptances were received in the course of the day.

"Acceptances are coming in at a very satisfactory rate," said Mr. Michael Peterson of Barclays Merchant Bank, adviser to Comben Group, yesterday. He said he hoped to be able to make a further announcement today.

The cash offer has now closed but the cash and shares offer remains open.

If, as seems possible, the offer is soon declared unconditional, the Board of Orme will meet to decide whether to recommend the cash and shares offer. This offer was not previously recommended, but a change of heart could take place if control were to pass to Comben.

Saint Piran, which owns 28.2 per cent of Orme, might also want to reconsider its refusal of the offer. It is believed that Saint Piran wanted to have an important part in running Orme and to be able to consolidate Orme's earnings in its own accounts. These circumstances would be unlikely to exist if Orme became a subsidiary of Comben.

Saint Piran may attempt to get a further (third) revision of the terms before accepting but this will be resisted by Comben.

Shareholders of General Cable Corp. approved the proposed purchase of 2.87m of its shares, or 20.1 per cent of its common outstanding, from BICC for about \$35m, or \$18.50 a share.

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## PENTOS/MIDLAND EDUCATIONAL

Shareholders of the Midland Educational Company have been personally invited to visit one of the bookshops owned by Pentos, the publishing to garden products group.

The offer is made in the formal document explaining Pentos' £2.2m bid for 33.3 per cent of the stock of Carling O'Keefe.

The Rupert Group holds a substantial interest in Rothmans International, which has received approval from the Foreign Investment Review Agency of Canada is scheduled for closing on September 21.

## BUILDING SOCIETY INTEREST RATES

GREENWICH	LONDON GOLDBANK
01-95 8223	01-95 6313
281 Greenwich High Road, Greenwich, SE16 5NL	15-17 Giltspur Street, London EC4A 3DF
*Deposit Rate 4.5%, Share Accounts 4.5% Subm. Share 7.5%, Term Shares 2.75%, 1% above share rate, 3 yrs. 1% above share rate, Interest 30 Quarterly on share/term shares, Monthly Income shares 6.50%	*Subm. Share 5.25%, Deposit Rate 4.45, Share Accounts 4.5%
CLIVE INVESTMENTS LIMITED	
1 Royal Exchange Ave., London EC3V 3LU, Tel: 01-283 1101	
Index Guide as at September 12, 1978 (Base 100 at 14.1.77)	
Clive Fixed Interest Capital ..... 129.57	
Clive Fixed Interest Income ..... 114.59	
ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.	
45 Cornhill, London EC3V 3PE, Tel: 01-623 6314	
Index Guide as at September 14, 1978	
Capital Fixed Interest Portfolio ..... 100.00	
Income Fixed Interest Portfolio ..... 100.00	

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125,000,000	Preference shares, 25p par value:
25,000,000	first series—convertible redeemable preference shares ... 104,517,657*
	other series ... —

\*These represent the maximum numbers of shares of either class issuable; dependent upon the number of fractional entitlements, these totals may be reduced slightly; the total number of shares to be issued will not exceed 139,348,876.

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London, EC2.

20th September, 1978.

# Back pain?



## After the lotions, pills and medicines 'S' Range may be hard to swallow.

Most office seating puts considerable strain on your back because it takes no account of the natural S-shape which your spine wants to adopt.

The second indispensable fact is that back pain keeps an average of 60,000 people away from work every day. And there are thousands more who aren't working efficiently because their backs are hurting.

Thirdly, 'S' Range seating is designed to cradle your spine into its most relaxed and efficient posture. 'S' Range ergonomics and orthopaedics hand-in-hand with sensible economics.

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## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## NORTH AMERICAN NEWS

## Closer AMC link with Renault now thought likely

BY JOHN WYLES

NEW YORK, Sept. 19.

RENAULT, France's Government-owned auto manufacturer, is thought to be considering a much more significant financial investment in its co-operation agreement with American Motors than was originally envisaged when the two companies signed an understanding last March.

This is believed to be one of the reasons for the delay in completing the final agreement which was due to bring Renault's R5 small car into AMC showrooms this autumn and to provide for the assembly of Renault's R18 at AMC's Wisconsin assembly plant in 1980.

Originally, Renault asserted that financing of the American assembly operation would be AMC's affair, but the small-car producer is strapped for cash for development and the whole project has been reviewed in the light of Chrysler's recent agreement to sell its European operations to Renault's rival, Peugeot-Citroën. Most observers, including Renault, will be surprised if the Chrysler-Peugeot arrangement does not ultimately lead to the marketing of Peugeot cars through Chrysler's U.S. and Canadian dealers, and within Renault this has sparked a debate as to whether the AMC link should not be given a greater emphasis.

Thus it appears more likely that Renault will bear some or all of the financing costs of converting an assembly line at AMC's Kenosha Wisconsin plant for R18 production. It is too early to say whether this will lead to Renault taking an equity stake in AMC but it cannot be ruled out, because of the rapid pace of change in the world map of auto manufacturing.

The co-operation agreement with AMC was seen as a relatively economical means of establishing a firm foothold in the U.S. car market. The R5 is competing with a variety of domestically and foreign produced small cars and is suffering from a lack of visibility which Renault hopes to remedy through access to AMC's 2,000 dealers.

AMC in turn is looking for spin offs for its own sales through a broader product range and also to establish a significant European sale for its Jeep utility vehicles, which will be sold by Renault dealers.

Both companies acknowledge that their expectations last March of a full agreement within four or five months underestimated the complexities and they are both adamant that an agreement will be reached, possibly within two to three months. Now that it is ready to put money into the venture, however, Renault is treading carefully to avoid any commitment to supporting AMC's loss-making car manufacturing operation.

## Pillsbury moves ahead

BY OUR OWN CORRESPONDENT

NEW YORK, Sept. 19.

PILLSBURY, the leading manufacturer of convenience foods of the obvious attractions of the deal in terms of product fit and acquire Green Giant, the Minneapolis-based food group, has started the current year with a profits gain of 121 per cent. First quarter earnings advanced from a corresponding \$17.1m, or 93 cents a share, to \$19.25m, or \$1.10 a share. Sales advanced by 20 per cent from \$355.4m to \$426.6m. Meanwhile Pillsbury's offer for Green Giant, a cash tender of \$37.25 a share, values the Minneapolis company at 16.7 times earnings, a rating which some share analysts have decided is a high price to pay in spite of the obvious attractions of the deal in terms of product fit and acquire Green Giant, the Minneapolis-based food group, has started the current year with a profits gain of 121 per cent. First quarter earnings advanced from a corresponding \$17.1m, or 93 cents a share, to \$19.25m, or \$1.10 a share. Sales advanced by 20 per cent from \$355.4m to \$426.6m. Meanwhile Pillsbury's offer for Green Giant, a cash tender of \$37.25 a share, values the Minneapolis company at 16.7 times earnings, a rating which some share analysts have decided

## Mead files suit against Occidental Petroleum

DAYTON, Sept. 19.

MEAD CORPORATION, which is fighting off a \$750m takeover bid by Occidental Petroleum, has filed suit in the U.S. District Court against Occidental alleging violations of Federal anti-trust laws in connection with proposed exchange offer, worth \$35 for each Mead share.

Mead said the complaint alleges that the effect of the acquisition of Mead by Occidental would substantially lessen competition in violation of anti-trust laws in certain lines of commerce.

The complaint seeks injunctive relief, including permanently blocking Occidental from acquiring any additional shares of Mead.

Reuter

Pan Am-National

Pan American World Airways told the Civil Aeronautics Board that at the close of business on September 15 it had purchased 1,614,000 shares, or 18.9 per cent, of National Airlines common stock, Reuter reports.

The purchase, which included broker commissions, was more than \$55.4m. Pan Am said.

Nalco spending

Capital spending by Nalco Chemical will exceed \$100m between 1979 and 1990, AP-DJ reports from Philadelphia.

Some \$27m of the total will go for construction of a new technical centre in Illinois for expanded research activity. An additional portion will be devoted to overseas projects, which include building of new chemical plants in Saudi Arabia, Colombia and France.

AT &amp; T gain

AMERICAN Telephone and Telegraph announced net earnings for the three months to August 31 of \$2.09 a share, or \$1.82 previously, reports Reuter from New York.

Total net of \$1.42bn compares with \$1.18bn, and sales of \$10.37bn with \$9.15bn.

For the full year, earnings of \$7.39 a share compare with \$6.72. Total net of \$5.10bn increased from \$4.30bn and sales of \$39.62bn from \$35.12bn.

AP-DJ

## CANADIAN PULP AND PAPER

## Changes in a traditional pattern

BY ROBERT GIBBENS IN MONTREAL

THERE IS a strong possibility of a major realignment of the Eastern Canada pulp and paper industry—where most of the country's 10m tons yearly newsprint capacity is centred. This could lead to important changes in control. UK newspaper interests for several generations have held major interests in the Eastern Canada mills, taking substantial production despite the dominant role played by the American market.

Late in the summer, Canada's largest forest products company, MacMillan-Bloedel, based in Vancouver but with its foot in Eastern newsprint production through the Rotherham Mill in New Brunswick, confirmed it was looking over the remaining assets of the troubled Reed Paper Ltd. unit of Reed International, with a view to possible acquisition. However, industry analysts do not believe MacMillan is interested in all the assets not already sold by Reed Paper.

MacMillan's largest single shareholder is the Canadian Pacific (CP) group of Montreal, with around 15 per cent of the stock. CP also owns Great Lakes Paper in Ontario, a major force in the industry.

Then, a couple of weeks ago, a group headed by Mr. Maurice Strong, former senior United Nations official and former Canadian businessman who made his personal fortune in oil exploration, began buying into Toronto's Abitibi Paper, which with 56 per cent owned Price Co. of Quebec City, is the world's largest newsprint producer.

Mr. Strong and his associates acquired around 1.8m Abitibi shares at an average C\$17 a share or about 10 per cent of outstanding Abitibi stock. Up to that point, no other holder of Abitibi had more than 3 or four per cent.

It appeared that the Strong group, whether acting for itself through a Toronto holding company HCT Holdings Ltd., or on behalf of unidentified major financial interests, had got effective control of Abitibi. It was even rumoured that Mr. Strong might become chairman and make management changes—despite the fact he has stated his intention of running as a Liberal for the Federal Parliament.

Earlier rumours that Abitibi would try to fend off a possible takeover bid from unspecified quarters by offering its own stock for the minority holdings in Price Co. did not prove true.

Next, Consolidated-Bathurst, pulp and paper arm of Power Corporation of Canada, the transportation and financial services group headed by Mr. Paul Desmarais, of Montreal, increased its holdings in Price Abitibi and Price Company (the Abitibi associate) from about 6 per cent to more than 10 per cent for investment purposes. It said it might acquire more if the share price were right.

Consolidated-Bathurst came by its 6 per cent Price Company block during the fight by Abitibi for control of Price Company several years ago. As a consequence of that contest, the Associated Newspapers Group of the UK swapped a sizeable stock holding in Price Company for one in Consolidated-Bathurst.

Now there is a further dimension to the puzzle. Inevitably this concerns the big Toronto holding company Argus Corporation, founded by financier Mr. E. P. Taylor and controlling Massey-Ferguson, Dominion Stores, the big supermarket chain, communications interests and Domtar, the Montreal-based

A surge in earnings in the pulp and paper companies has been accompanied by significant shifts in the shareholdings of major groups. It seems likely that the industry is undergoing a major change in structure, but it is not yet clear what realignment will emerge.

At this point pulp and paper industry watchers felt their imaginations ready to take off. Mr. Strong more than ten years ago was president of Power Corporation, before Mr. Desmarais took control and expanded it. Was there a link between the Strong group buying 10 per cent of Abitibi and Consolidated-Bathurst buying more Price Company stock, or were both groups simply seeking capital gains as newsprint earnings zoom?

On reflection, most analysts did not see the potential alchemy between Mr. Strong and Mr. Desmarais. Anyway, both Abitibi and Price Company stocks have gained several points in the market because of the big stock acquisitions—and Abitibi last night closed at C\$18, against the buying in price of C\$17 for the Strong group.

California is trying to acquire United Technologies, the diversified manufacturer for whom growth by acquisition has become a way of life, has launched the second-largest merger bid of the year with a \$1.02bn proposal for Carrier Corporation, the leading U.S. air conditioning manufacturer.

United's move consolidates the trend towards ever-larger takeover bids. A recent survey suggested that acquisitions of companies valued at more than \$100m had nearly doubled from 20 in the first half of last year to 37 in the first six months of 1978. Since June, however, Occidental Petroleum has made its contested bid for Mead Corporation of close to \$1bn and Standard Oil of

Levi Strauss moves ahead

SAN FRANCISCO, Sept. 19.

LEVI STRAUSS, the world's biggest jeans producer, made sound headway in the third quarter, after a small reverse in the second quarter. Net earnings climbed from a corresponding \$36.1m, or \$1.64 a share, to \$41.4m, equivalent to \$1.87 a share. Sales totalled \$471.9m, against \$433.4m in the corresponding period last year.

Net earnings at the nine-month stage totalled \$104.7m, or \$4.74 a share, compared with \$95.7m, or \$4.32 a share in 1977, on sales of \$1.2bn, against \$1.1bn.

Last week it was revealed that Levi is to receive \$500,000 in an out-of-court settlement in London relating to alleged pirating of its products.

AP-DJ

## Carrier gets \$1bn takeover bid

BY OUR OWN CORRESPONDENT

NEW YORK, Sept. 19.

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## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## BP France and Lafarge raising \$109m by rights

OUR FINANCIAL STAFF

WAVE of French rights resumed yesterday, with more companies calling for a FFR 400m (\$109m) issue. The *Compagnie Française des Pétroles* said that it will make a three-year issue at par to raise 200m, while Lafarge SA announced a potential increase a fortnight ago, the market for a one-for-five at FFR 200 per share to a up the other FFR 190m.

Terms of scale, neither the BP nor the Lafarge issues the same strain on the Paris se, as did their immediate successors—Compagnie Française des Pétroles went for a FFR 588m on August 23. St. Gobain just topped that at FFR 594m, and a week ago, the *Compagnie Générale des Établissements Michelin* (Michelin) issued a FFR 500m issue at 70 per cent by its parent, that it has not paid dividend in four years and that "if necessary" will take up shares to complete the capital increase, put this issue even more firmly in its place.

M. Olivier Lecercq, chairman of Lafarge, told a Press conference that the issue will increase the company's capital to FFR 658m from FFR 465m and will yield FFR 190m including the issue premium.

M. Lecercq forecasts that the group share of consolidated profits this year could rise to FFR 180m from FFR 158m last year, with overall group profits rising to between FFR 200m and FFR 250m in 1979.

He said these prospects will make possible a substantial increase in the dividend to be paid in July next year.

In July this year, the company paid a gross dividend of FFR 16.77 per share for 1977. M. Lecercq forecast that parent company net profits this year will rise to about FFR 120m from last year's FFR 95m.

The new shares will rank for dividend from January 1 this year.

M. Lecercq said that funds raised through the capital increase will be used either to acquire new shareholdings in other companies or to reinforce the financial position of existing subsidiaries.

Information Systems of the U.S. has been given French Government approval to purchase the 19 per cent stake in its time-sharing subsidiary Honeywell Bull-Net-Work Information Service (NIS) held by the French company Cie des Machines Bull. AP-DJ reports from Paris.

IB-NIS has part of the former Honeywell Bull Group, which was split up and remodelled to create CII-Honeywell Bull in which Honeywell Information Systems has a 17 per cent interest.

See Lex

## Medium-term loan for waziland

Our Euromarkets Staff

TS first-ever medium term market loan, Swaziland is a \$25m to finance a railway sugar terminal. Citicorp Bank is currently in process of forming a consortium group for the loan. Terms will include a 14 per margin over inter-bank rates seven-year final maturity. Sevillana de Electricidad (Svella) is offering \$50m for eight years (years grace) via a group led by Banco de Vizcaya. The loan is 1 per cent.

Medium-term loans of \$40m for two Indonesian venture companies, P. T. Vespas and P. T. (Indonesian Components Indonesia) have been arranged, reports from Singapore.

Merchants Bank, as manager, said the \$25m for Svella and \$15m for ICIGO both for 81 years, but tied to give interest rates, which have been signed include the standby credit for SNCF (French railways) and the use-banks yen/dollar credit ungary. The latter finance included a \$200m 10.15-year rate loan and a \$100m 10-year floating rate loan.

## Gotabanken well ahead at eight-month stage

BY JOHN WALKER

STOCKHOLM, Sept. 19.

THE RESULTS for the first eight months of 1978 for Gotabanken show an increase over the same period of 1977. The operating profit for the January-August period this year amounted to SKr86m (\$22) an increase of SKr17.4 or 22.2 per cent compared with 1977. For the whole of 1978, operating profit is expected to increase by at least SKr 41.4m (\$9.2m), while operating profit for the last year was SKr 111m (\$23.3m) or 10.4 per cent. In 1977 costs rose by 10.8 per cent.

The Gotabanken group, which includes factoring and leasing companies, reports an increase in costs went up by SKr23.2m or 36 per cent to SKr119.7m (\$27m). The group profit for the whole of 1978 is expected to be a little below the percentage level expected by the bank.

Net interest earnings rose in the first eight months by SKr 41.4m (\$9.2m), while operating costs went up by SKr23.2m (\$5.3m) or 10.4 per cent. In 1977 costs rose by 10.8 per cent.

## La Radiotechnique gain

PARIS, Sept. 19.

LA RADIOTECHNIQUE, a French electronics subsidiary of the Philips group of the Netherlands, posted a net profit of FFR 1.74bn, compared with FFR55.6m (\$12.8m) for the first half of this year, an increase of 22 per cent on the like year-ago period.

Net operating profit was 40 per cent higher at FFR 39.7m, compared with FFR 28.3m up to the end of June last year.

Parent company turnover was 18.6 per cent higher at FFR 913.5m.

The company posted a first-half net consolidated profit of FFR 56.23m on a turnover of FFR 1.74bn, compared with FFR 55.6m for the first half of 1977. La Radiotechnique commented that the first-half results of its components subsidiary, La Radiotechnique Compelce (RTC), "weren't all that good." But said its second-half results will show some improvement.

AP-DJ

## Hoboken held back by low supplies

ANTWERP, Sept. 19. EVENTS affecting Zaire copper supplies, and the weak time market, mean that the financial results of the Belgian metals group Metallurgie Hoboken-Overpelt for the year ending September 30 will be little changed from the previous year.

In 1976-77, Hoboken group net profit was BFR 380m on turnover of BFR 42.3bn. Yields at the Otlen plant have been hit by the uprising last May in the Kolwezi mining area and the difficulties faced by Zaire for many months in exporting its copper production, the company said.

Supplies at Hoboken's Antwerp plant are being hit by the shortage of copper waste and the slump in the market for copper concentrates.

Zinc prices in real Belgium franc terms fell this year to their lowest level since 1945, and the Overpelt plant is still suffering from the collapse in the zinc market.

Hoboken said that it hopes to start production of extra-fine cobalt powder in 1980 at a plant it will build near Laurinburg, North Carolina, with an annual capacity of around 500 tonnes.

The company has no plans to cut back on investments despite its current problems.

Reuter

## Wagons Lits sees increase

BRUSSELS, Sept. 19.

IMPROVED sales in the first half of this year mean that results for Cie Internationale des Wagons Lits et du Tourisme for 1978 should be better than in the previous year.

In 1977, the company paid a net BFR35 a share dividend on net profit of BFR64.7m.

Wagons Lits consolidated group turnover in the first half of 1978 rose by 6.9 per cent to BFR 3.2bn in the railway division. Rises of 20.8 per cent to BFR 466m in the hotels and of 10.4 per cent to BFR 2bn in the restaurants division are also reported.

Including VAT, turnover for tourism rose by 3.9 per cent to BFR 8.5bn.

Reuter

## AEG will pay Siemens \$614m over KWU deal

BY GUY HAWTIN

FRANKFURT, Sept. 19.

SIEMENS and AEG-Telefunken have at last reached agreement on the extent of AEG's liabilities for losses arising from its venture into the nuclear power field. This means that for the first time since AEG got into financial difficulties, shareholders have a chance to assess the true damage that its nuclear involvement dealt the concern.

AEG—West Germany's second largest electrical concern—sold out its 50 per cent stake in Kraftwerk Union (KWU), Germany's major power station builder, to its partner Siemens late in 1976. The two concerns had merged their reactor interests in KWU in 1969.

However, the merger agreement, forced on a reluctant AEG by massive losses in 1974 and 1975, did not cover Siemens assumption of losses stemming from contracts brought by AEG into KWU. Although AEG set aside reserves of some DM 800m (\$400m) to cover losses accruing from the contracts, it was believed that the full figures would be far higher.

Today's joint announcement by the two concerns stated that it had finally been agreed that AEG would pay some DM 1.23bn (\$614m) to cover the losses on contracts brought into the power station construction group, AEG.

Last year the concern made an operating surplus of some DM 8m on its domestic West German activities. At the same time, it once again added to its reserve against contingent liabilities.

The current year will, of course, be AEG's fifth in a row without dividends, and its shareholders have scant prospects of a payout in 1979. However, today's announcement removes a burden that has hung over the group for four years, and at least it will give analysts a reasonable chance of assessing its future prospects more accurately.

## KWU Brazil project on target

BY JONATHAN CARR

BONN, Sept. 19.

KRAFTWERK Union (KWU), West Germany's leading power station building concern, has rejected reports that its big nuclear deal with Brazil is in difficulties. The company says that all work for which it is responsible is going ahead according to plan.

The reassurances were given in an interview with the weekly magazine *Der Spiegel* by Dr. Klaus Barthel, chairman of KWU's executive board. They were juxtaposed with an article saying that building work at a Brazilian reactor site had run into technical problems, that the end-price would prove uneconomic, and that the Brazilians now appeared to have less enthusiasm for their atomic power projects than before.

Under a DM 12bn accord signed in 1975, West Germany agreed to deliver to Brazil nuclear power stations as well as enrichment and reprocessing equipment. The U.S. strongly opposed the deal on the grounds that the Brazilians might use the technology to make nuclear weapons—a charge Brazil has repeatedly rejected.

Dr. Barthel agreed that a reactor being built at Angra dos Reis, Brazil, under the 1975 accord, was being erected on concrete pillars because the ground was not wholly firm. But he noted first that the site had been chosen by the Brazilian electricity concern, Furnas, and second that because of the pillars, the new reactor would not have problems which another being constructed by the Americans nearby had experienced.

Asked about reports that the end-price for the planned reactors could be some \$8,000 per kilowatt of capacity, much higher than original estimates, Dr. Barthel said that KWU had heard this figure mentioned neither in Brazil nor in West Germany. It therefore seemed impossible to believe, he said.

He had heard no suggestions that the Brazilians were pressing less urgently for the fulfilment of their atomic power plans, and he insisted that four reactors could be completed by the mid-1980s according to schedule.

## New models from Fuji Photo

BY YOKO SHIBATA

TOKYO, Sept. 19.

FUJIFILM Photo Company is to enter the automatic focussing camera market this November. The company has announced two new models of 35mm cameras with an automatic focussing system, called "Flash Fujica AF Date" and "Flash Fujica AF". Meanwhile Yashica will market its automatic focussing camera from the end of October.

The automatic focussing camera market has been solely dominated by Konishiroku Photo Industry since the company introduced the C-35 AF, the first of its kind in the world in November last year.

The new cameras introduced by both Fuji Photo Film and Yashica adopt the same device as that of Konishiroku's, incorporating a large size integration (LSI) module developed by Honeywell of the U.S. in the automatic focussing system. As a result of the entry of the other two makers into the market, heavy sales competition is expected.

## Norinvest still needs funds for survival

By Fay Gjester

OSLO, Sept. 19. SHAREHOLDERS IN the troubled Norwegian finance company, Norinvest, are meeting today to decide whether they will put up the Nkr 60m (\$11.5m) needed to save the bankrupt company from immediate liquidation. The Norwegian Government has already refused to provide any assistance.

If the rescue operation fails, and Norinvest does go bankrupt, the repercussions are expected to hit a number of the 16 Norwegian banks and 12 insurance companies which are Norinvest's shareholders, and in some cases creditors as well. A chain reaction of bankruptcies among some of Norinvest's backers could well ensue, according to observers here. Press comment has described the threatened bankruptcy as "the biggest financial scandal of our time."

Norinvest, which has made a large proportion of its losses on a shipping subsidiary, A/S King, has been in financial difficulties for over a year. Some of its shareholders, among them the Norden insurance company and the Trondheim bank, Forretningsbanken, saw the writing on the wall a year ago, and completely wrote off their Norinvest holdings in their 1977 accounts.

Other shareholders, who were not prepared to take the loss, put up funds to refinance the company last spring, when a restructuring was effected. The profitable parts of its portfolio were transferred to a company called Inter-Finans, while the remainder, mainly shipping commitments, was left in Norinvest. The plan was to wind up the latter over a period of seven to eight years.

The summer saw a rapid deterioration of Norinvest's position. This was partly a result of the steep fall in ship values, and the ill-starred King shipping company continued to make very large losses, and is now reported to have debts totalling some Nkr 75m.

It was decided that to reduce the risk of further losses, Norinvest should be wound up within a year to two years. To make this possible, large sums of fresh capital were needed. Shareholders who had already written off their stakes in Norinvest would not contribute.

This advertisement complies with the requirements of the Council of The Stock Exchange.



U.S. \$20,000,000

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20th September, 1978

This announcement appears as a matter of record only.

20th September, 1978

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## REPORT TO INVESTORS from a company called TRW

## TRW Reports Higher Quarterly Results

FINANCIAL HIGHLIGHTS (U.S. dollar amounts in millions except for per share data)

	1978	1977
<b>SECOND QUARTER</b>		
Sales	\$ 956.4	\$ 825.6
Pre-Tax Profit	90.3	83.4
Net Earnings	46.9	42.5
Earnings Per Share		
Fully Diluted	1.27	1.16
Primary	1.48	1.33
Dividends Paid Per Common Share	.45	.40
<b>SIX MONTHS</b>		
Sales	1,826.7	1,602.5
Pre-Tax Profit	159.9	145.5
Net Earnings	82.7	74.2
Earnings Per Share		
Fully Diluted	2.25	2.02
Primary	2.58	2.29
Dividends Paid Per Common Share	.85	.75
Outstanding Common Stock	28,255,000	27,854,000
Shares Used in Computing Per Share Amounts		
Fully Diluted	36,745,000	36,744,000
Primary	28,756,000	28,633,000

TRW Inc., a major international supplier of high-technology products and services to worldwide markets, reported record sales, earnings and earnings per share for both the second quarter and first half ended June 30.

Second quarter sales were \$956.4 million versus \$825.6 million for 1977's second quarter. Net earnings after taxes were \$46.9 million compared to \$42.5 million for the year-ago period. Fully diluted earnings per share were \$1.27 compared with \$1.16, and primary earnings per share were \$1.48 versus \$1.33 for 1977's second quarter.

Sales for the first half of 1978 reached \$1,826.7 million, up 14% from the \$1,602.5 million for 1977's first half. Net earnings reached \$82.7 million, up 11.5% from the \$74.2 million in the first half of 1977. Fully diluted earnings per share were \$2.25 compared with \$2.02 in the year-ago period, while primary earnings per share were \$2.58 versus \$2.29 in 1977's first half.

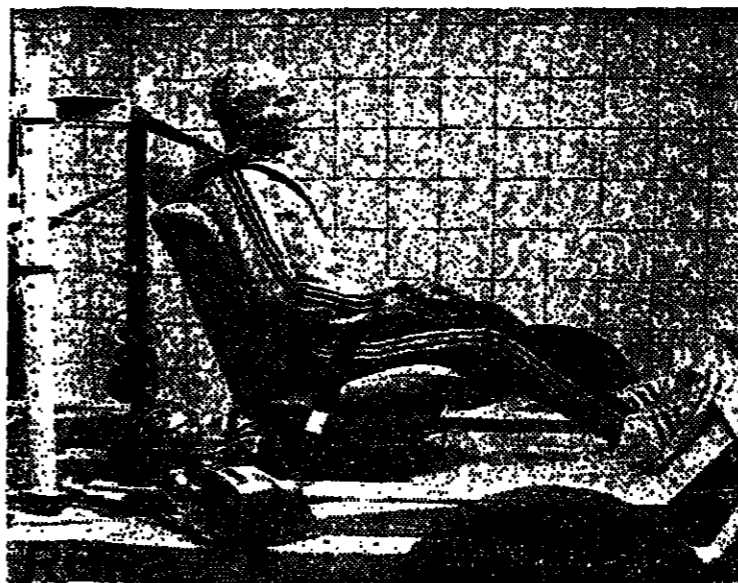
Two of TRW's three business segments, Electronics & Space Systems and Car & Truck, reported sales and operating profit gains over 1977's second quarter. The Industrial & Energy segment reported higher sales but moderately lower second quarter operating profits resulting from a U.S. plant closing.

TRW directors declared a quarterly dividend of \$.45 per share on common shares, payable September 15, 1978. This will be the company's 160th consecutive dividend declared on TRW common shares.

For further information on TRW's 1978 second quarter results, please write for a copy of our quarterly report: TRW Europe Inc. 25 St. James's Street London SW1A 1HA.

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TRW Repa is a leading supplier of front-seat occupant restraints to almost all European auto manufacturers. Here a new seat belt component undergoes sled tests.



by Hawtin describes a rising force in West German politics

## New big fish in the CDU's pond



Dr. Alfred Dregger

ONCE UPON a time, runs one of the latest German jokes, a Schwabian went out fishing in a lake. After a day singularly unmarked by success, he felt a powerful tug on his line and on feeling it in discovered that he had caught the most magnificent golden carp.

He was about to gaff the creature when the carp said to him: "Schwabian, Schwabian, I am the magic golden carp. I am my life and I will grant you two wishes." The Schwabian, a careful man, who like all Schwabians had as his motto: work, save, build a house, sell my dog and bark myself—decided to accept the offer.

"First," he told the carp, "I would like to be a man of great personal wealth." Second, I want to be a person of great historical significance. The carp wiggled his fins. There is a flash of lightning and a Schwabian found himself lying on a great canopied bed. On a ceiling of the huge, rococo room voluptuous nymphs in grapes to cherubs while at to him lay a beautiful blond-haired woman, gently kissing his arm and saying: "Up, up, Franz-Ferdinand. We are leaving for Sarajevo."

The significance of this story that it was told to me in response to a request for an opinion about Dr. Alfred Dregger, a deputy chairman of the Hessian Christian Democratic Party and, possibly, the Minister-President of the state of Hessen. "Dregger," I am told, "is a golden carp."

Alfred Dregger is little known outside Germany. Indeed, until entered the Bundestag some years ago, he was not particularly well known outside Hessen. However, if he manages to capture "red Hessen" for the CDU next month's state elections, he has been a bastion of the Social Democrats' 33 years—Dr. Dregger have established himself as of the CDU's most successful vote-catchers and could have a claim to lead his party in next federal elections.

### Good looks

Much of the credit for the CDU's advance in this traditionally Socialist state must go to Herr Dregger. Aged 57, he combines striking good looks with an ability to enunciate unashamedly right-wing policies in a highly-entertaining manner. He might not be quite as much the master of the public platform as Herr Franz-Josef Strauss, the leader of the Bavarian sister party, the CSU. But he is not far below Herr Strauss's standard. And it is clear in this election that he is pressing all the right buttons as far as the electorate is concerned.

Dr. Dregger's campaign slogan is: "a change works wonders." He tells his audiences at his well-attended public meetings that the CDU under Dr. Adenauer was the architect of West Germany's "economic miracle," and then freely admits that CDU government lost its direction. "I admit that we were not so good a few years ago," he says. "I cannot say how good we are going to be some years in the future. But, right now, we are terrific."

There is mud-slinging in abundance, though it would be fair to argue that there is plenty of mud to sling. Dr. Dregger promises the electorate DI, who since 1970 have a government of talent in which the liberal party, face the men, posts will be dependent on ability rather than a party in the municipal elections. card. The SPD in Hessen

worked on quite the other principle, he claims, accusing the SPD of packing local government organisations with its own supporters, from the town clerk to the charity.

Somewhat paradoxically, perhaps, he combines this with an attack on "Left-wing activists" in public service. A committed supporter of the "berufsschutz" policy under which many Left-wingers have been barred from jobs in public service, he explains his position by saying that only a person who is both anti-fascist and anti-Communist can be a true supporter of democracy.

"Remember," he tells his audiences, "it was both the Nazis and the Communists who brought down the Weimar Republic." He then goes on to argue, on somewhat less firm ground, that it was both Hitler and Stalin, who through their non-aggression pact and their partition of Poland prompted the start of the Second World War.

### Education

However, it is on the question of education that Dr. Dregger gets the best response—even from the party faithful. Few deny that the Hessen state's school system is appalling. There are insufficient teachers and classes are frequently overcrowded. The system of providing supplementary teachers when the regular teacher is sick is in chaos and in many areas parents never know whether their child will be sent home immediately after arrival at school.

Furthermore, there is heavy opposition—from both middle and working classes—to the Social Democrats' decision to replace Germany's gymnasium school system with comprehensive education. Many parents argue that the replacement of the gymnasium, a sort of sixth form college, by the comprehensive school has been at the expense of brighter pupils who expect to go on to university.

"It is for the parents to decide what sort of education they want for their children—not a faceless bureaucrat," says Dr. Dregger. "If parents want comprehensive education, I would not prevent it. But it should not be imposed upon them against their will."

He proposes to solve the teacher shortage by the immediate recruitment of 1,500 teachers. This is certainly feasible, as many teachers are currently unemployed. However, a number of the teachers unable to find work are jobless as a result of the effect of the "berufsschutz" policy that Dr. Dregger advocates, although he gets a warm response from his audiences with his assertion that children are not sent to school to be politically indoctrinated with their teachers' views.

Many voters in Hessen who would normally vote SPD are clearly disillusioned with the current government. However, when it comes to the crunch, if they vote for Dr. Dregger they will be voting more against the current SPD machine than casting their ballots for the CDU. Since Dr. Dregger has become a public figure in the state, his politics have been consistently well to the right of the Christian Democratic Centre and his calls for increased "law and order" have caused some unease.

### Certain chill

Although he may not have misjudged the mood of his public meeting, he caused a certain "chill" among the correspondents covering it when he referred to the shooting of a leading Red Army faction terrorist by Düsseldorf detectives. "What do you think of the Stoll affair? Terrific, eh?" he said. This is not to say that the terrorist did not deserve his fate, but Dr. Dregger's relish was, for some, a little jarring.

The prize in the election is that victory for the CDU would give it a two-thirds majority in the federal upper House, thus enabling it theoretically to block the federal government's ability to pass legislation. It could do much to advance the CDU's hopes for an earlier election than it could otherwise expect. But with Dr. Dregger running such a highly personal campaign, success would appear to hang not just on his ability graphically to "document the Social Democrats' governmental ineptitudes, but also on his ability to lay the legend of the golden carp.

New Issue  
September 20, 1978

This advertisement appears as a matter of record only

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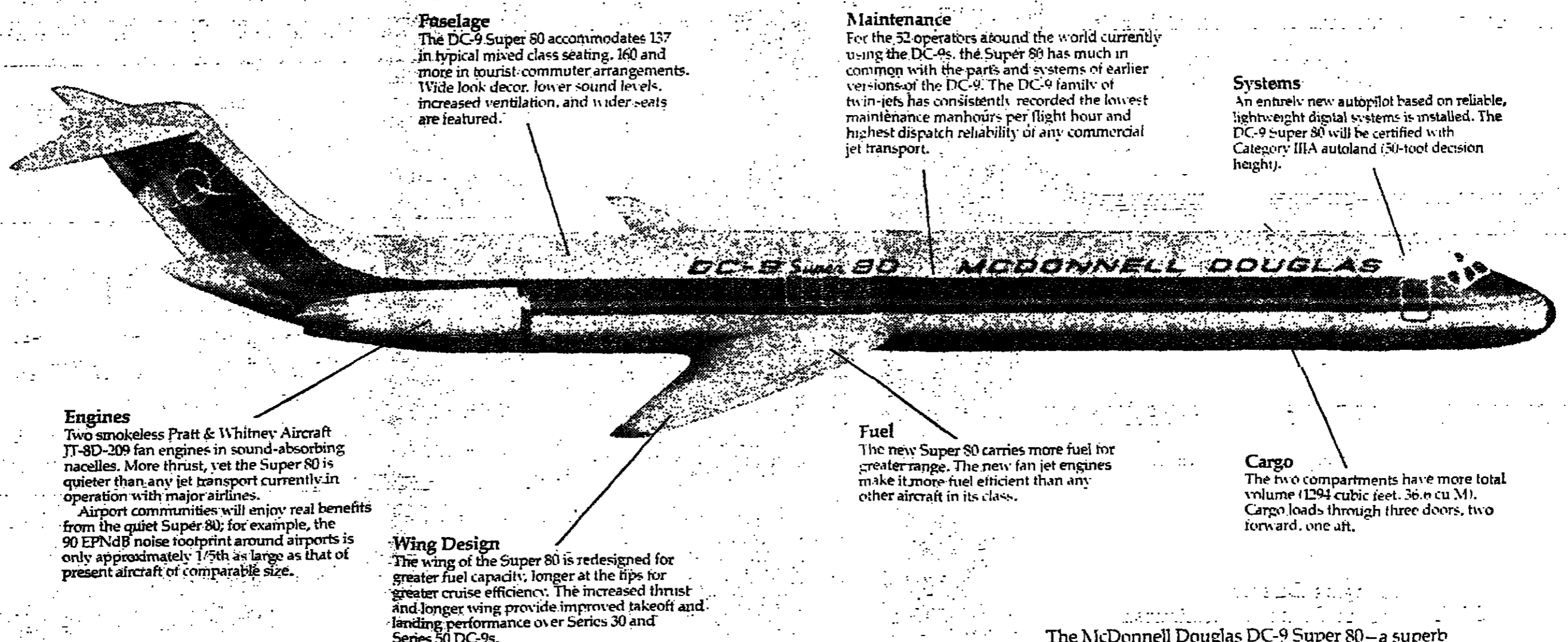
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# Introducing the DC-9 Super 80



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The DC-9 Super 80 accommodates 137 in typical mixed class seating, 160 and more in tourist-commuter arrangements. Wide look decor, lower sound levels, increased ventilation, and wider seats are featured.

### Maintenance

For the 32 operators around the world currently using the DC-9s, the Super 80 has much in common with the parts and systems of earlier versions of the DC-9. The DC-9 family of twin-jets has consistently recorded the lowest maintenance manhours per flight hour and highest dispatch reliability of any commercial jet transport.

### Systems

An entirely new autopilot based on reliable, lightweight digital systems is installed. The DC-9 Super 80 will be certified with Category IIIA autoland (50-foot decision height).

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Two smokeless Pratt & Whitney Aircraft JT-8D-209 fan engines in sound-absorbing nacelles. More thrust, yet the Super 80 is quieter than any jet transport currently in operation with major airlines.

Airport communities will enjoy real benefits from the quiet Super 80; for example, the 90 EPNdB noise footprint around airports is only approximately 1/5th as large as that of present aircraft of comparable size.

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The new Super 80 carries more fuel for greater range. The new fan jet engines make it more fuel efficient than any other aircraft in its class.

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The two compartments have more total volume (1294 cubic feet, 36.6 cu m). Cargo loads through three doors, two forward, one aft.

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## DC-9 SUPER 80.

MCDONNELL DOUGLAS

# Hyundai's Pony on a slow trot towards Europe

None of this means that Hyundai is "challenging" Japan or any other top motor manufacturing country in the sense of threatening to make serious inroads into the markets of established car producers. "We are too small and too primitive," says Toyota, "to be a serious competitor of the Japanese standards."

In mid-1977, when Korean domestic demand for passenger cars was showing signs of building up to what has since become boom levels, Hyundai had the boldness and foresight to commit itself to a capacity-doubling plant which will enable it to turn out 100,000 cars a year from next January. At this time, the Ulsan plant will be producing cars at the rate of one-twentieth of the cars produced by Toyota and the Pony's annual production run of, say, 80,000 to 90,000 vehicles will compare with the Toyota Corolla's production run of nearly 600,000 cars per year.

The small size, at least by Japanese standards, of

striving of its Italian-designed body and the reliability of its Japanese-designed engine. To these hopes Japanese firms have also put paid to the Pony's chances of breaking into the developing markets on which Hyundai is focusing its hopes for the time being.

The government has various ways of forcing Hyundai, and the two other big Korean motor manufacturers, to increase their exports. One is the device of linking a company's export performance to the number of CKD kits of larger cars it is allowed to import for the home market. Hyundai will start to import CKD kits this year, and later this year to meet the growing demand for a six-seater

Mr. Chung has only one point to make about suggestions that the Pony, or its successors might not be welcome in Europe. The Hyundai group, not just the motor company but its heavy industry partners as well, are the largest importer in Korea of European capital equipment, buying \$50m to \$70m worth of goods a year from Britain alone.

"You won't have to buy our cars," says Mr. Chung, "but you might be foolish not to, considering how much we buy from you."



## Barclays local Board post

**ASSOCIATED SPRAYERS** has restructured its organization with the formation of a subsidiary, **ASL Airflow** as the operating company. The parent concern is now the holding company, **Mr. H. E. Newton-Mason** remains chairman.

**Mr. Harry S. Tofts**, at present director and general manager, has been appointed managing director, chemicals trading division, **STRETEY CHEMICALS**, from October 1. **Mr. Stanley F. Browning**, who is director and

**YORKSHIRE AND HUMBERSIDE: Mr. E. H. Chester**, Mr. Dale, **Mr. J. R. Eardley**, **G. M. A. Harrison**, **Mr. W. R. son** and **Mr. S. Webster**.

**EAST MIDLANDS: Mr. Hawkins**, **Mr. L. M. Ross**, **M. Treach** and **Mr. J. R. Wicks**.

## £1.5m works extension for T. S. Harrison

SALEM ENGINEERING COMPANY has an order valued at more than \$750,000 for the heat treatment furnaces for the Ford Transmission Plant, at Raleigh, North Carolina. The order includes one track continuous carbon-	under construction at Fallow and Depford Yards, for the Shipping Corporation of India	to be delivered this year. It will include financial, processing, stock, recording, management information systems. An important aspect will be preparation of export documentation.
	PATERSON CANDY INTERNATIONAL has been awarded a major portion of a multi-million	

Financial Times Wednesday, September 20, 1978

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# INTERNATIONAL TRANSPORT

## The Common Problems

London, October 2,3,4 1978

A team of the top speakers in the transport industry from various countries will guide discussion at the world symposium on International Transport The Common Problems, arranged by the Chartered Institute of Transport and the Financial Times.

The problems grow more complicated daily. A multi-modal approach to solutions is demanded and at the same time the new problems that new solutions will bring must be anticipated. An introductory speech by the Secretary of State for Transport, the Rt. Hon. William Rodgers, MP, will put the government view of the future of transport and will raise some of the questions, in general terms, that the experts will try to answer.

**OPERATIONAL QUESTIONS:** What system of transportation will follow containerisation? What difficulties will arise with the increasing transference from one transportation medium to another?

**ENERGY QUESTIONS.** Sources of energy are changing. What will the effect be on transport?

**LABOUR QUESTIONS.** Human resources have to be calculated, productivity charted, possible pitfalls foreseen.

**FINANCIAL QUESTIONS.** Future developments and the investment required now? What are the banking criteria for such developments?

**PRICING AND MARKETING QUESTIONS.** Is there general agreement over the various tariffs and is the need for flexibility in tariffs accepted? How is quality to be measured in each of the modes of transport? Where these are competitive, what are the criteria for assessment?

Senior managers in transport and financial institutions concerned with transport, and consultants to the industry will especially welcome this chance to pause and view the ways ahead.

For further information, complete and post the coupon below.

To: The Financial Times Limited, Conference Organisation, Bracken House,  
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Please send me further details of the International Transport Conference.

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# FINANCIAL TIMES CONFERENCES

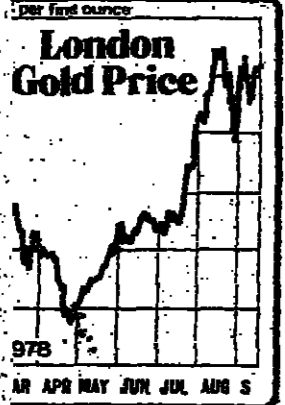
هذه من الأصل

# Dollar declines after early rise

The dollar lost ground in trading as the euphoria at the end of the Middle East summit meeting faded. The dollar rose in early trading, but then fell sharply after a rise in the price of oil. The dollar was down 1.5% by the close of trading.

At the start of the day, the dollar was up 0.5% against the Swiss franc, but then fell to 1.5% below the franc by the close. The dollar was also down 1.5% against the German mark, but then fell to 2.5% below the mark by the close.

The dollar was down 1.5% against the Japanese yen, but then fell to 2.5% below the yen by the close. The dollar was also down 1.5% against the British pound, but then fell to 2.5% below the pound by the close.



ANSTERDAM—The dollar was down 1.5% against the guilder, but then fell to 2.5% below the guilder by the close. The dollar was also down 1.5% against the Italian lira, but then fell to 2.5% below the lira by the close.

BRUSSELS—The dollar was down 1.5% against the Belgian franc, but then fell to 2.5% below the franc by the close. The dollar was also down 1.5% against the Dutch guilder, but then fell to 2.5% below the guilder by the close.

ZURICH—Trading was very quiet, with the dollar moving within a very narrow range. The dollar was down 1.5% against the Swiss franc, but then fell to 2.5% below the franc by the close.

THE POUND SPOT			FORWARD AGAINST £		
Sept. 19	Bank	Rate	One month	Three months	Year
Canada	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
France	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Germany	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Italy	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Japan	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Switzerland	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
U.S.	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655

THE DOLLAR SPOT			FORWARD AGAINST \$		
Sept. 19	Bank	Rate	One month	Three months	Year
Canada	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
France	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Germany	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Italy	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Japan	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
Switzerland	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655
U.S.	1.5645-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655	1.5650-1.5655

CURRENCY RATES			CURRENCY MOVEMENTS		
Sept. 19	Bank	Rate	Sept. 19	Bank	Rate
Canada	1.5645-1.5655	1.5650-1.5655	Canada	1.5645-1.5655	1.5650-1.5655
France	1.5645-1.5655	1.5650-1.5655	France	1.5645-1.5655	1.5650-1.5655
Germany	1.5645-1.5655	1.5650-1.5655	Germany	1.5645-1.5655	1.5650-1.5655
Italy	1.5645-1.5655	1.5650-1.5655	Italy	1.5645-1.5655	1.5650-1.5655
Japan	1.5645-1.5655	1.5650-1.5655	Japan	1.5645-1.5655	1.5650-1.5655
Switzerland	1.5645-1.5655	1.5650-1.5655	Switzerland	1.5645-1.5655	1.5650-1.5655
U.S.	1.5645-1.5655	1.5650-1.5655	U.S.	1.5645-1.5655	1.5650-1.5655

OTHER MARKETS			Note Rates		
Sept. 19	Bank	Rate	Sept. 19	Bank	Rate
Canada	1.5645-1.5655	1.5650-1.5655	Canada	1.5645-1.5655	1.5650-1.5655
France	1.5645-1.5655	1.5650-1.5655	France	1.5645-1.5655	1.5650-1.5655
Germany	1.5645-1.5655	1.5650-1.5655	Germany	1.5645-1.5655	1.5650-1.5655
Italy	1.5645-1.5655	1.5650-1.5655	Italy	1.5645-1.5655	1.5650-1.5655
Japan	1.5645-1.5655	1.5650-1.5655	Japan	1.5645-1.5655	1.5650-1.5655
Switzerland	1.5645-1.5655	1.5650-1.5655	Switzerland	1.5645-1.5655	1.5650-1.5655
U.S.	1.5645-1.5655	1.5650-1.5655	U.S.	1.5645-1.5655	1.5650-1.5655

RANGE CROSS RATES			Currency Interest Rates		
Sept. 19	Bank	Rate	Sept. 19	Bank	Rate
Canada	1.5645-1.5655	1.5650-1.5655	Canada	1.5645-1.5655	1.5650-1.5655
France	1.5645-1.5655	1.5650-1.5655	France	1.5645-1.5655	1.5650-1.5655
Germany	1.5645-1.5655	1.5650-1.5655	Germany	1.5645-1.5655	1.5650-1.5655
Italy	1.5645-1.5655	1.5650-1.5655	Italy	1.5645-1.5655	1.5650-1.5655
Japan	1.5645-1.5655	1.5650-1.5655	Japan	1.5645-1.5655	1.5650-1.5655
Switzerland	1.5645-1.5655	1.5650-1.5655	Switzerland	1.5645-1.5655	1.5650-1.5655
U.S.	1.5645-1.5655	1.5650-1.5655	U.S.	1.5645-1.5655	1.5650-1.5655

INTERNATIONAL MONEY MARKET

Belgian rates unchanged

Little change at 8.45 per cent for one-month through to 8.70 per cent for three-month.

Deposits for the Belgian franc (commercial) were steady at 8.45 per cent for one-month while the three-month rate rose to 8.70 per cent compared with 8.45 per cent previously. Longer term deposits remained at 7.75 per cent for six-month and 7.75 per cent for 12-month. Call money was slightly firmer at 8.45 per cent compared with 8.45 per cent previously.

GOLD

Firmer trend

Gold opened at \$211.312, and was fixed at \$211.10 (\$207.500) in the morning. It rose slightly to \$211.45 (\$207.750) in the afternoon at the fixing, but soon rose to a best level of \$213.214, before closing at \$212.312, a rise of \$1.00 on the day, ahead of the latest gold auction by the U.S. Treasury.

FRANKFURT—Interbank money market rates were unchanged. The three-month rate was 8.45 per cent for call money through to 8.45-8.75 per cent for 12 months. The Bundesbank is not to hold a Press meeting after its usual Thursday meeting, and this is generally seen as an indication that there will be no changes in credit policy.

AMSTERDAM—Interbank money market rates were generally

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AMSTERDAM—Interbank money market rates were generally

## Sometimes even kings had to rely on the resourcefulness of merchant bankers to mobilize funds.



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Overnight 3.5  
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Six months 4.00  
FRANCE  
Discount Rate 3.5  
Overnight 3.5  
Three months 3.75  
Six months 4.00  
JAPAN  
Discount Rate 3.5  
Overnight 3.5  
Three months 3.75  
Six months 4.00

**FRANKFURT**  
Discount Rate 3.5  
Overnight 3.5  
Three months 3.75  
Six months 4.00

# Dow sheds 2 more in reduced early trading

**INVESTMENT DOLLAR PREMIUM**  
Effective 1.9825 45% (95%)  
Effective 1.9825 45% (95%)

AN INVESTORS continued to worry over rising interest rates. Wall Street remained in easier mood yesterday morning in reduced activity.

The Dow Jones Industrial Average shed 2.35 more to 867.90 at 1 pm, while the NYSE All Common Index was 4 cents lower at 336.20 and losses outpaced gains by nearly a two-to-one ratio.

Trading volume contracted to 21.58 million shares from Monday's 1 pm level of 27.53 million.

The Federal Open Market Committee was scheduled to meet later in the day, and market analysts were expecting some firming of monetary policy in follow.

The Commerce Department reported a narrowing of the second-quarter U.S. current account deficit, which was helpful to the dollar in New York, but Stock Market gains were muted by trade figures were poor and the dollar was more concerned with August 26 to 28, 1978, while Golden Nugget trade results than those of the second-quarter.

Closing prices and market reports were not available for this edition.

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Riley dropped 4 1/2 to \$44.40, while volume leader McCulloch Oil shed 1/2 to \$51.

**Canada**

A further reaction across a broad front occurred in fairly active early dealings yesterday. The Toronto Composite Index gave up 8.1 more to 12,831.1 at noon, while Oils and Gas declined 8.3 to 1,669.4. Metals and Minerals 5.1 to 1,069.2. Banks 2.17 to 294.65 and Papers 2.51 to 142.07.

Among Papers, Consolidated-Bathurst A retreated 1 1/2 to \$28.75, National Semiconductor 1/2 to \$28.75, General Motors 1/2 to \$63, and Du Pont 1/2 to \$124 1/2.

Levi Strauss reported higher net profits and put on 1/2 to \$33.10.

United Technologies fell 1/2 to \$43.10 in its first trading since Friday.

The shares were not traded on Monday when it proposed a merger with Carrier, or alternatively a tender offer for 49 per cent of Carrier's Common stock at \$28 a share. Carrier had not yet traded.

**THE AMERICAN S&P Market**

Index came back 0.77 to 177.30 at 1 pm. Volume 2.88 million shares down from the previous day's 1 pm level of 3.85 million.

Resorts International "A" shares were up 1/2 to \$10.25 and the "B" shares 1/2 to \$2.25, while Golden Nugget lost 1/2 to \$29 and Nortex 1/2 to \$17.

**Tokyo**

Share prices turned easier on sporadic liquidations in the absence of any fresh market stimulus. The Nikkei-Dow Jones Average closed 19.43 down at 5,633.91 after moderate volume of 240 million shares (170M). The Tokyo S&P index shed 1.55 to 427.06.

Pharmaceuticals, Foods, Machinery and Electricals fell, while Chemicals and Textiles generally advanced.

Recently-selected Public Works issues and Real Estate also declined on profit-taking, but Vehicles and Motor Components were modestly firmer.

Nakken Chemical came back 1/2 to \$1,350, Ono Pharmaceutical Y100 to Y1,150, Green

Cross Y50 to Y2,350, Fujiya Construction Y27 to Y34, Chiyoda Chemical Y40 to Y1,100, TDK Electronics Y60 to Y2,750, TDK Electronics Y60 to Y2,750 and General Y60 to Y2,750.

In contrast, Honda Motor gained Y3 to Y18, Kasei Gas Kogyo Y6 to Y23, Tokai Metal Y4 to Y23, Wasei Machine Y2 to Y23 and Nippon Oil Seal Y24 to Y39.

**Germany**

Stocks generally softened in quiet trading.

Losses were most marked in Motors and Banks, where BMW and Daimler shed DM1.90 and DM1.50 respectively, and Bayerische Vereinsbank retreated DM2.30 and Commerzbank DM1.40.

In Electricals, Siemens eased DM1 but AEG gained DM1.50 following news that the two concerns have reached agreement, releasing AEG-Telefunken from any further claims by Siemens subsidiary Kraftwerk Union concerning AEG's joint nuclear reactor activities with Siemens since April 1974.

Domestic Bonds were mixed. With Public Authority issues gaining up to 35 pfennigs. The 10-year Bund fell 1/2 to 10.15, while the 5-year Bund fell 1/2 to 10.15.

During the session, the Italian Bank announced a 1 percentage point increase in its discount rate on margin, possibly another incentive for a continuation of the upward trend. Yesterday's trading lasted about two hours.

The market advance was again led by Fiat, up 1/2 to 1,400, and FIATC, up 1/2 to 1,300.

**Hong Kong**

The market resumed its retreat following the long holiday weekend and on Tuesday, the Hang Seng index recorded a fresh fall of 18.84 to 637.76.

Bank fell 70 cents to HK\$19.40, while Hong Kong Land and Jardine Matheson each recorded 50 cents to HK\$12 and HK\$12.50 respectively.

Swire was down 1/2 to HK\$10, while Cathay Pacific fell 1/2 to HK\$6.50, Wheelock 7.5 cents to HK\$3.45, Hong Kong Wharf

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HK\$1.75 to HK\$1.50, China Light HK\$1.15 to HK\$1.10, and Cheung Kong 90 cents to HK\$1.10.

**Australia**

Bank stocks again dominated activity as investors continued to show approval of new disclosure regulations, announced on Sunday by the Treasury. It is expected that the new arrangements will bring additional benefits to shareholders.

Bank of NSW added another 20 cents to AS\$7.90, while ANZ gained 3 cents more to AS\$7.85.

Minerals were mainly in easier mood, with CRA losing 4 cents to AS\$3.45, Western Mining 3 cents to AS\$3.85, and Resonance 1/2 to AS\$1.30.

Uranium remained under a cloud awaiting further developments over the Ranger project. It is expected to be some time before there is some disagreement among the government and some politicians are urging the Northern Land Council to refuse to enter into agreement. Pelahore was down 4 cents more to AS\$6.46 and Queensland Mines were 3 cents lower at AS\$5.75.

While ZZ Industries retreated 20 cents to AS\$5.85, but Pancontinental put on 20 cents more to AS\$14.80.

Thales, in Coals, provided a bright spot at AS\$3.35, up 10 cents to AS\$3.75.

Most leaders in manufacturing groups came in for some light selling, but there was some support for second round price increases. The industrial market with a firm bias overall. Market leader BHP declined 8 cents to AS\$8.30.

**Switzerland**

Prices edged lower in quiet trading, with current interest contributing to the easier tone.

Ciba-Geigy lost 25 to Sfr 935 and Electrowatt 25 to Sfr 1,910.

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## Indices

NEW YORK-DOW JONES

Index	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 12	Sept. 11	High	Low	High	Low
Industrial	370.15	370.05	367.44	369.50	368.44	367.74	367.74	367.74	367.74	367.74	367.74	367.74	367.74
Transport	247.05	246.75	243.51	245.21	244.05	243.05	243.05	243.05	243.05	243.05	243.05	243.05	243.05
Utilities	108.35	108.45	108.78	107.46	107.58	107.58	107.58	107.58	107.58	107.58	107.58	107.58	107.58
Trading vol.	35,800	37,200	37,400	46,400	54,400	55,570							

\* Basis of Index changed from August 28

Index	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 12	Sept. 11	High	Low	High	Low
Ind. dir. yield %	5.39	5.31	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30

**STANDARD AND POORS**

Index	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 12	Sept. 11	High	Low	High	Low
Industrial	114.35	115.05	115.61	117.94	118.71	118.71	118.71	118.71	118.71	118.71	118.71	118.71	118.71
Composite	103.21	104.12	105.16	106.54	106.99	106.99	106.99	106.99	106.99	106.99	106.99	106.99	106.99

Index	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 12	Sept. 11	High	Low	High	Low
Ind. dir. yield %	4.63	4.67	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Ind. P.E. Ratio	9.98	10.08	9.98	9.98	9.98	9.98	9.98	9.98	9.98	9.98	9.98	9.98	9.98
Long Gov. Bond yield	8.55	8.37	8.48	8.48	8.48	8.48	8.48	8.48	8.48	8.48	8.48	8.48	8.48

**N.Y.S.E. ALL COMMON**

Index	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 12	Sept. 11	High	Low	High	Low
Index	336.20	336.20	336.20	336.20	336.20	336.20	336.20	336.20	336.20	336.20	336.20	336.20	336.20

**MONTEAL**

Industrial	301.17	299.51	299.14	301.17	301.17	301.17	30
Commodities	214.82	216.09	216.09	217.71	217.71	217.71	162.50
Commodities	1269.2	1277.8	1282.7	1288.8	1288.8	1288.8	162.50

## FINANCIAL TIMES SURVEY

Wednesday September 20 1978

## Whisky

A unique product and a major earner of export revenue, Scotch whisky has held its position in both UK and foreign markets in the face of what its producers see as growing discrimination against it, particularly within the EEC.

oping  
ith  
ew  
iles

Kenneth Gooding

UK should consider itself  
ate that Scotch whisky  
be produced anywhere  
ut in Scotland. Many  
ies have attempted to  
the favour, capture the  
ter of the spirit in drinks  
ir own but have failed.  
the Japanese must resort  
orting malt whisky from  
id to give their own top  
whiskies the taste custo-  
re willing to pay some-  
extra for.

Scotch has become a major  
for Britain, bringing in  
in foreign earnings last  
and a further £350m in  
st seven months of 1978.  
26 per cent rise on the  
period last year.

big thirst for Scotch is  
nassive US market where  
is sold than even in  
Third in size, and the  
largest importer of  
is Japan.

All three  
as last year suffered from  
level of economic activity,  
is reflected in the  
e in the total volume of  
exported—a mere 2 per  
84m gallons—compared  
e 8.10 per cent seen up  
early 1970s.

UK Scotch is a tradi-  
rink which takes at least  
market for spirits. That  
it outsells all the gins,  
brandies, rums and so  
n when their total sales  
ubined. The market is  
led by large retail chains  
brewers, so price com-  
is a major factor.

Other Common Market  
s Scotch has to compete  
traditional local drinks.  
ime example is West-  
y, where Scotch repre-  
sents 3 per cent of total  
ales.

over Europe there is  
discrimination in favour

of local products. The Scotch  
Whisky Association lists four in  
Italy, three in France and two  
in Denmark, all of them by way  
of the tax or duty systems. The  
EEC Commission has finally  
decided to take some action and  
has asked the Court of Justice  
to look into the various allega-

tions. Briefly, these add up to  
Britain accusing France of pro-  
tecting Cognac against Scotch;  
France accusing Britain and  
Denmark of protecting beer; VAT  
on the final selling price, against  
wine; grain spirit pro-  
ducing countries like Britain at a  
typical £4.20 provides the  
and West Germany saying that  
Treasury with £3.46. So Scotch  
Italy takes their products un-  
fairly compared with Grappa;  
while nearly every country in  
Europe is taxing  
everything too highly to protect  
Aquit.

## Crowded

It will take some time to sort  
that lot out. Discrimination  
against Scotch, coupled with the  
more obvious problem of build-  
ing up sales in highly competi-  
tive and crowded drinks  
markets in the EEC, led the  
Scotch producers to put their  
faith in the sole distributor  
system. This involves the  
appointment of one distributor  
for each brand for every coun-  
try. In return the distributor  
invests some of his own cash in  
the future of the brand.

The Scotch whisky industry's  
determination to find a way to  
preserve this sole distributor  
system has led it into conflict  
with the European Commission,  
announcing in the last

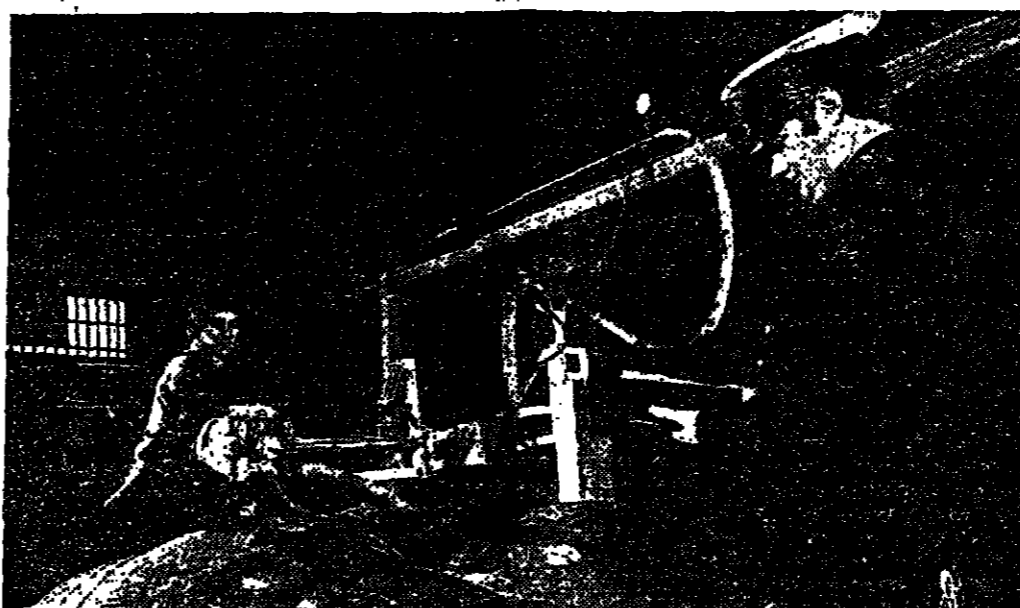
a conflict which became public  
in the most dramatic fashion  
last December and resulted in  
Distillers Company withdrawing  
the best-selling brands from the  
British market. The repercus-  
sions of this dispute, examined  
in detail in this survey, will go  
rumbling on for some time.

As far as the industry is  
concerned there is discrimina-  
tion at home too. Every bottle  
of Scotch sold in Britain attracts  
£3.16 of duty. Then there is  
Denmark of protecting beer; VAT  
on the final selling price, so that  
a bottle of Scotch sold  
ducing countries like Britain at a  
typical £4.20 provides the  
and West Germany saying that  
Treasury with £3.46. So Scotch  
Italy takes their products un-  
fairly compared with Grappa;  
while nearly every country in  
Europe is taxing  
everything too highly to protect  
Aquit.

By whatever method you do  
the analysis, Scotch pays more  
duty than beer or wine. For  
it does not end there. For  
while the brewers are allowed  
some time to pay the duty, the  
Scotch whisky industry is not.  
As soon as the spirit is with-  
drawn from bond for home  
market sale duty has to be paid.  
The producer will then have to  
wait perhaps six weeks to get  
the cash back.

The Treasury benefits by over  
£100m, which is the average  
amount the industry is owed at  
any one time. In effect, it  
represents an interest-free,  
permanent loan to the Govern-  
ment. The interest the industry  
has to pay on the money bor-  
rowed to finance duty payments  
could be put to better use.

There are signs that this  
system will soon be changed.  
The distillers expected an  
announcement in the last



HM Customs and Excise monitor all aspects of the distilling process. Here an officer checks the filling of casks.

Budget, because discussions  
with the Customs and Excise,  
and Excise, bottled some of the  
surplus duty-free whisky for  
sale in the home market and  
technical problems. But the  
some was used for promotional  
purposes.

The industry took the view  
that this concession was a small  
compensation for the heavy cost  
of collecting duty on the Gov-  
ernment's behalf—it must pro-  
vide accommodation for Excise  
officers at uneconomic rents and  
heavy investment in "secure  
areas," for example.

In August, however, the  
House of Commons Public  
Accounts Committee described  
this system as "an abuse" and  
companies, openly and with the

claimed it was costing the  
Treasury £7m a year. It urged  
that changes be made, and the  
Customs and Excise is to  
comply.

The Scotch Whisky Associa-  
tion insists it is simply not true  
to say that the sale of duty-free  
samples has been depriving the  
Exchequer of revenue. "The  
Government in the past has im-  
plied that this practice was  
taken into account when the  
balance of trade in beer has  
level of duty was fixed... this  
is yet another example of the  
Government's refusal to recog-  
nise and support the country's  
most consistently successful  
exporting industry."

For the Scotch concerns in-  
volved, the acquisitions served  
the major problem every suc-  
cessful Scotch business faces—  
that of financing stocks.

A Scotch whisky company  
does not simply replace stocks  
but it has to build them up for  
expected demand five years  
ahead—for that is the average  
age of the whisky when it is  
finally blended, bottled and  
sold.

The industry has more than  
1bn gallons of Scotch currently  
maturing. This must be worth  
at least £1.50 a gallon on  
average.

About 40 per cent of the  
whisky is the average bottle of  
blended Scotch sold under one  
famous brand name or other is  
malt whisky, made from malted  
barley by the centuries-old pot  
still method. The rest of the  
blend is made up of grain  
whisky, a neutral spirit which  
can be produced in large  
quantities by a continuous pro-  
cess. Scotland has 115 malt  
whisky distilleries but only 14  
making grain whisky.

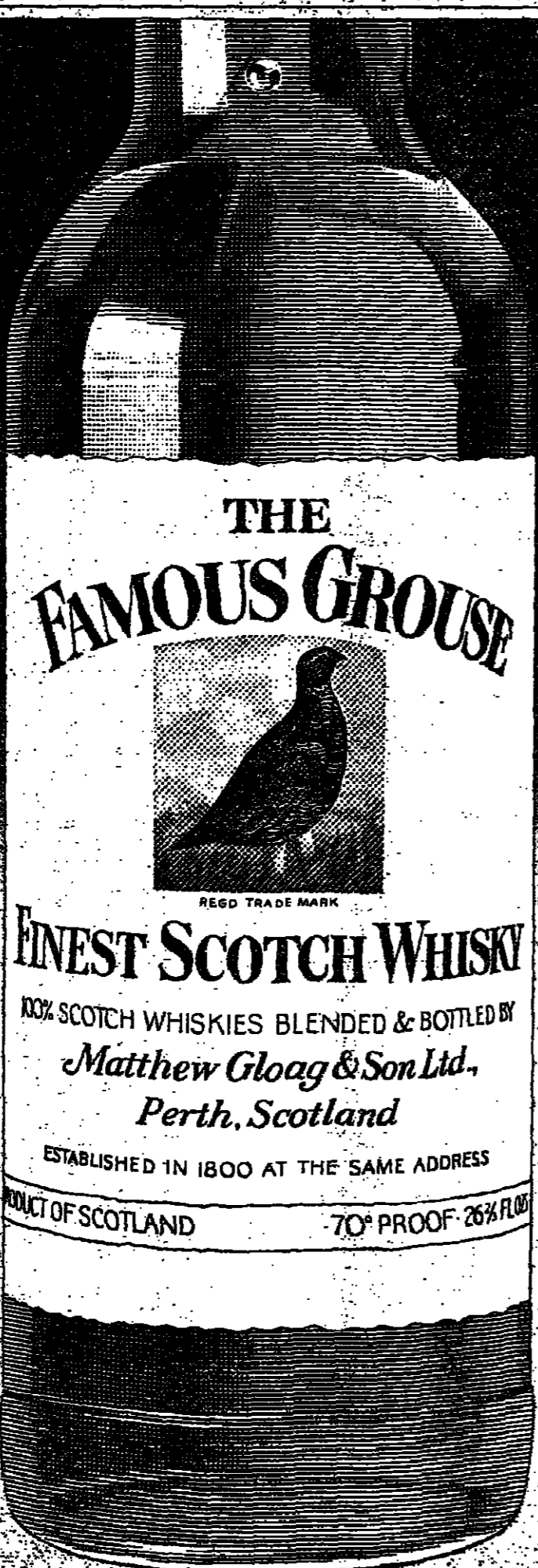
Total capacity at Scotland's  
grain distilleries is around 125m  
gallons a year and the largest  
is capable of producing 16m  
gallons a year. Only about 30  
of the malt distilleries can  
produce more than 1m gallons  
a year and the largest, Tomatin,  
has a capacity of 4.8m gallons.  
Severe cutbacks in production  
in 1975 and 1976 led to renewed  
suggestions that the industry  
was not laying down enough  
Scotch to cope with expected  
demand in the 1980s.

## Reversed

Significantly the tide was  
reversed as soon as Distillers  
Company, with its tremendous  
influence on the industry, de-  
cided to lift production again.  
There are not many Scotch  
companies left to be acquired,  
however, because the structure  
of the industry has changed con-  
siderably in recent years. First  
last year, to just under 88m  
gallons.

And Distillers continues to  
insist "we believe we have  
adequate cover to ensure full  
and free supply of all our  
brands in the years ahead."

Just what that demand will  
be is a matter for conjecture.  
Nearly everyone in the industry  
agrees the annual growth rate  
will certainly drop from the 8-  
10 per cent rate experienced  
until the oil crisis changed the  
industrial world's expectations.  
But many commentators  
would go for a 6 per cent a  
year growth, one many other  
industries would love to match  
and one which should satisfy  
this long-established and  
already successful business.



The exception that could  
prove to be your rule.

THE FAMOUS GROUSE, named in honour of the national game bird of  
Scotland, has been perfected over the years by Matthew Gloag & Son Limited,  
a family business founded in Perth in 1800.  
Continuity of six generations of the Gloag family has given undoubted experience  
in blending only the finest single Whiskies produced in Scotland. Superior  
in their own right, they are left undisturbed to mature in fully seasoned oak casks  
for many years. These aged Whiskies are then blended together to bring out the  
best in each of them. Long marriage of the completed blend creates the final  
harmony and distinctive finish of The Famous Grouse Scotch Whisky.

Quality in an age of change.

## WHISKY II

## Stocks may fall short



**Fortunately,  
his spirit lives on.**

Only James Buchanan, regarded by many as the father of Scotch Whisky, could have composed a blend of fine whiskies so smooth and satisfying as to win the century-long devotion of his entire house.

The Buchanan Blend is now being introduced to the public in the belief that discerning whisky drinkers everywhere will appreciate its rounded excellence.

You may have to look for it, because supplies may be limited at first, but you'll find it well worth the trouble.

**The  
Buchanan  
Blend**

THE SCOTCH OF A LIFETIME

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PRODUCTION OF new whisky is rising again — and rising strongly. In the first six months of this year it reached 87.8m proof gallons compared to 75.7m for the corresponding half of 1977. But there are a number of reasons for being cautious about whether the industry has fully recovered from the crisis of 1974-75 or whether the sharp fall in output over the last three years may not have a dramatic effect on the supply of whisky in years to come.

The peak production of new Scotch in 1974 marked the top of a very steeply climbing graph. Production, already over 180m gallons in the previous year, went up again to 183.5m and optimism in the industry was strong.

No one could foresee the dramatic rise in oil prices imposed by the OPEC countries or the multiple blows it would deal the whisky industry. But the distillers' reactions were swift and decisive and production was cut back to the direct rise in the cost of fuel, high grain prices, record interest rates that made the financing of new stock building prohibitively expensive, and to the expectation that demand would be seriously affected.

The Distillers Company (DCL), which controls around half the capacity in the industry, cut back heavily from January 1, 1975. The actual reduction in output has never been quantified by the company, but analysts have estimated that it could have been as much as 25 to 30 per cent. Production across the industry for the year fell to 151m proof gallons and slumped again in 1976 to 139m.

Some improvement in home and export markets last year and a better financial climate

encouraged a partial recovery and total output of new spirit in 1977 was back to about the 1975 level. In a mood of fresh optimism some producers were encouraged to bring new capacity on stream. One of the biggest was a £5m expansion by Long John International of its Strathclyde grain distillery which almost doubled its capacity to 10m gallons a year, making it one of the largest in Scotland.

Hopes received a further boost at the beginning of this year when DCL announced that it was to resume stockbuilding and the first half figures for the industry as a whole confirm that the growth is continuing.

DCL has continued to progress with its £25m blending and bottling plant for Johnnie Walker at Shield Hall and has also initiated a significant expansion of its maturation warehousing on a 250-acre site at Bonnybridge in Stirlingshire.

But it should be remembered that even if the first half figure is repeated in the second half of this year, total new production for 1978 will still only be back to the 1972 level. And there are some special factors which could mean that it will not be repeated next year.

To some extent the boost in output this year indicates that distillers have been taking advantage of the good barley

harvest of last year rather than building their stocks to match projected demand. The grain is of a very high quality and there is an incentive for producers to take advantage of high yields and prices similar to those obtaining in 1976 to build up their stocks relatively cheaply whatever their predictions for the future. This year's harvest could also be good, despite the persistent rain, but it is too soon to say what effect it will have on next year's production figures.

Similarly, it is still too early

to say what effect the cutback in production over recent years will have on the availability of mature whiskies for blending in years to come. There have been several gloomy warnings that since new whisky is not used for at least three years and more often four years or more, the fall in production over the last three years could mean shortages in the early 1980s when demand is expected to rise strongly. Mr. Robin Cater, chairman of DCL, has recently repeated his assertion that his company is not in this position;

its stocks are sufficient to projected demand.

Indeed, one would expect a producer the size of DCL to have much flexibility than the manufacturers. There are fixed formulas for particular brand tastes and blenders' art is to be able to whiskies of different types ages according to their ability and still produce a consistent character.

It may be that DCL, with huge stocks, has a wide range to make substitutes possible for whiskies in supply. But for the rest of the industry the warnings have been dire. In an author's report last year, Mr. J. Riddell of Jura Distillers suggested that of under production, which the industry was in could not be justified by its growth rates in consumption and, particularly, that there still no hard evidence that growth rates in world sales had been significantly reduced.

His analysis attempted to account of the stocks of whisky of different ages available to match them with demand for different products. On the basis of continuing demand growth of 8.5 per cent he concludes there was insufficient whisky being produced. Moreover report also claimed that output levels were inside even if growth fell back, per cent per year.

Ray Per



A spirit safe being used to enable a stillman to decide on the "middle cut" of a distillation.

## Slower growth in the U.S.

ONE OF the enduring images of America that comes over in a myriad of Western films is of a hard-living, hard-drinking, populace ever eager for a glass of whisky — frequently sent scudding along the top of the bar by some sneering enemy.

The descendants of those rotgut addicts, however, are showing less inclination to conform to such national stereotyping, to the considerable concern of the purveyors of today's somewhat less harmful spirits. Analysts of the U.S. whisky market are

driven to the conclusion that a major factor behind sluggish overall growth rates in the market in recent years is life-style. Younger people are turning away from drinking spirits for a variety of reasons. Fortunately for the big league producers, like Canadian-owned Seagram, the leader, and Britain's Distillers Company (DCL), which has pushed up its U.S. market share from 38 to 40 per cent in the last three or so years, sales of premium whiskies look like increasing annually at a fair 5 or 6 per cent.

Even without a swing away from drinking the way their fathers and grandfathers did, Americans have had some economic reasons for not continuing increasing whisky consumption on the head scale of the 1950s and 1960s. The rate of increase in consumer spending has come right back, and whisky has long been around the top of the price lists.

### Pricey

A recent survey, for instance, noted that a standard (quart) bottle of good Scotch in New York can come out ahead of all other drinks at \$9, pipping the \$8.75 for the best Canadian whisky, which is one variety of whisky really well at present. Glass for glass, whisky is a notably pricey proposition: again in New York, \$1.50 for a whisky, against \$1 for increasingly popular wine.

The battles ahead for the whisky producers are going to be hard, but observers like Wood Mackenzie, the Scottish stockbrokers who compile admirably thorough statistics and projections on what is easily the world's biggest whisky market, think significant changes in the approach to the business in the U.S. will flow from the new top men at Seagram, where ex-Colgate Palmolive man Philip Beekman has become president, and DCL, now chaired by Robin Cater. Crucially, both seem to Wood Mackenzie happy to ignore tradition and go for profit rather than volume growth.

To understand Scotch's place in the U.S. drinks scene, it is necessary to examine the trends in spirits generally. In the 1950s and 1960s, little seemed to check the increase in liquor consumption. As consumer spending growth started to falter after the traumas of

1973, spirits suffered severely. Demand in 1975 was only up 1.4 per cent. Then in 1976 came the hardest time of all, with only 0.6 per cent growth.

The coming to purchasing power of the post-war "bulge" babies means a younger profile for the mass of consumers, and this apparently bullish point for Scotch and other spirit makers should have been combined with two other aids to more drinking: lower legal age limits in some states and extreme retail price stability.

On the latter point, whisky prices, although high against other varieties of drink as shown above, have suffered little by way of increasing tax burdens. Taxes, federal and state, make up between 55 and 60 per cent of the price per bottle, but federal taxes have been unchanged since 1951, and State dues, 82 cents on average in the early 1970s, have only inflated to 66 cents.

Extreme competition has been another key price dampener. In a society that wanted to go on treasuring its spirits, the above factors should have made volume boom, but then one comes back to the vagaries of public taste. Americans are less concerned, it would appear, with keeping up images of toughness, drunkenness is less and less acceptable in a country which seems more inclined to be lenient with those who choose to turn to soft drugs; and wine, particularly white wine, is enjoying great popularity.

Wood Mackenzie dwells, in its latest report, on the phenomenon of consumer preference for "lightness," reporting that there is much dispute in the U.S. drinks trade on what lightness really means, whether colour, taste or alcoholic content. But the impact is undeniable. Scotch suffers, but wine and "relatively tasteless" light spirits like vodka and white rum benefit.

The key details of this preference-switching are that non-whisky spirits went up from 38 per cent of spirits sales in 1972 to 48 per cent in 1977. Domestic U.S. whiskies have done very badly, with the annual decline since the early 1970s put at 5 per cent annually. Imported whiskies have held their share, but much of that strength is down to the popularity of Canadian brands.

Wood Mackenzie has stuck its forecasting neck out and

reckoned that Scotch sales all will grow by only 1 per cent a year into the 1980s. The outlook for Scotch is reckoned a sector of the market relatively free of the back and forth of its consumption. Five or 6 annual growth in is seen for Johnnie Walker and Haig Pinch, DC selling premium lines respectively second among the most popular brands. The top Seagram's Chivas Reg

### Lagged

Price rises for which lagged well behind rises—between 1967 increases averaged 0 per cent, a quarter of all—but Seagram and now showing more than to preserve marketable gains did it tilters thanks to movements, though such benefits no lot. But at the beginning year, the group through price increase per cent on stands and 12 per cent on d with similar change prices a few months.

On standard brand analysts look for a steady erosion of their Wood Mackenzie is the chances for Gran polltan's J and B R DCL's Johnnie Walker than those for High tilters and Berry B Rudd's Cutty Sark and Dewar's label.

Seagram, so dominates the market place, he going for 5 or 6 per cent rises this financial year. Beekman talks about new drink products to gaps created by slipping sales. For Scotch, Seagram policy of go added income—some a back a \$40m advertising promotion campaign for whisky brands—should reflected benefits for producers. They are s have to live, however, in which, influenced by a happening in North A will only be raising deir their brands by 4 or 5 annually for the next few

Nicholas

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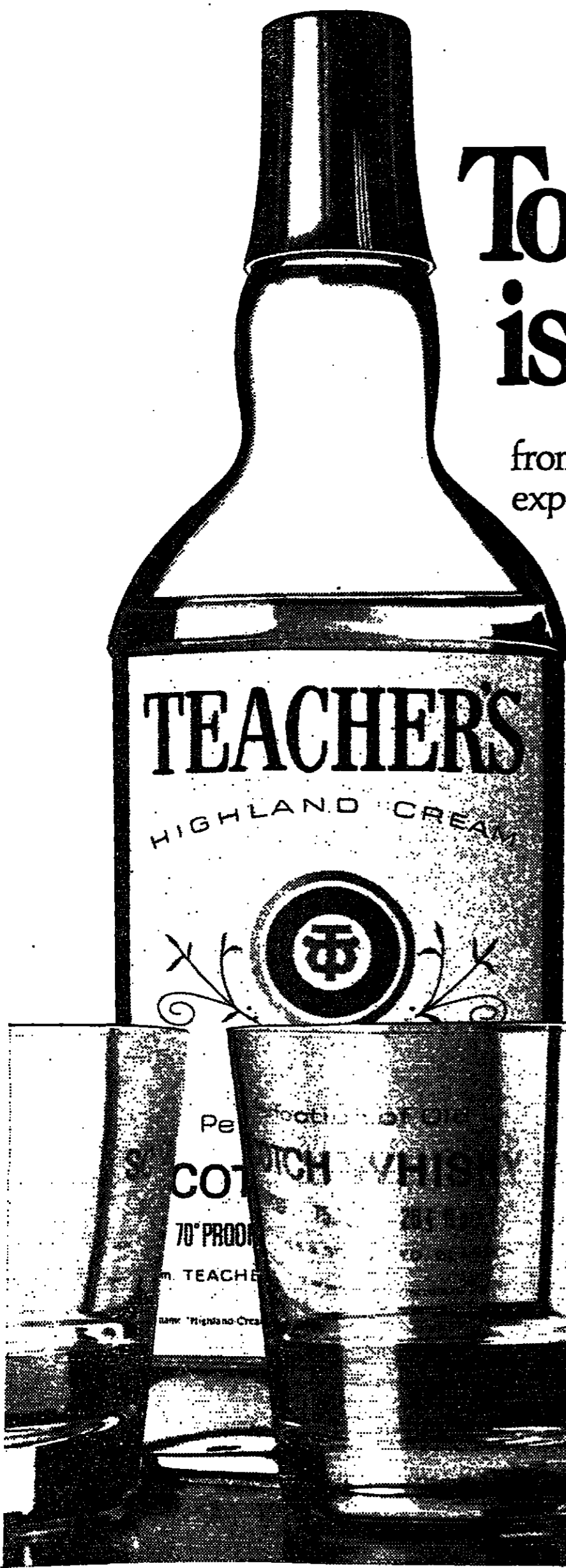
Teacher's contains more malt than other popular blends.

No wonder, then, that Teacher's is Britain's favourite.\*

End of lesson...time for a test!

**Teacher's. In a class of its own.**

\*NCP Jan 1978



# EEC rules create confusion

LAWYERS, one of them James Stewart, and three others, played no small part in the events leading up to the current state of extreme confusion in the UK Scotch whisky market. The team, made up of the European Commission's legal department, which in December that the whisky system operated by the Scotch Whisky Association was unlawful. The system involved discharging one price for the whisky in the UK and another one if the British whisky was to be sold in the rest of Europe.

The immediate reaction was to withdraw Johnnie Red Label from the UK and price two other big brands, Black and White, out of the running by upping the price. The result was a 20 per cent market up for the UK. And, K market is second only to the UK in the world in its whisky consumption. The rewards of success are mouth-watering. At least 150m bottles of whisky, worth at least £100m at retail prices, are sold in the UK each year. In the first time most whisky drinkers were aware of the problems, the Distillers of the EEC Commission are last Christmas, the year of a major battle had since the 1975 UK Market membership.

At that time Distillers had to grip on the export Scotch whisky brands. The EEC competition was obliged from that time on to permit an "or" — a "parallel" — market to develop, at Common Market level.

time Britain decided for all to stay a member of the Community, the UK of the export price for very well out of line, unofficial exporters — "grey" — could buy in the UK and ship it to the rest of Europe, where they take the extra sell at prices cut far below what the official sole distributors offered by Distillers. Like all whisky exporters, they hate the idea that it

might lose its sole distributors or have to dispose of their services. The main consideration is that the sole distributor has a long-term interest in the brand he is selling. He is not likely to do anything which might damage its image and prospects, unlike the parallel importer who is usually looking for a quick profit.

Distillers' chairman Mr. Robin Carter explained recently that "from the earliest days in the development of the sale of Scotch whisky in export markets of the world, each brand-owning company has appointed a sole distributor in individual markets."

The distributor is given an exclusive right to purchase the company's brand and in return undertakes the obligation to promote, by his own efforts and at his own expense, the long-term success of the brand in his territory. Scotch whisky is exported to some 180 countries in which the problems of competition, distribution, and discriminatory legislation and taxation vary enormously, and the brand owner could compete effectively in all of these diverse markets other than by coming to an agreement with a local distributor which offers that distributor the necessary incentives to fulfill his obligations.

The sole distributor system has, from the outset, played a vital and totally essential part in the success of the export endeavours of the Scotch whisky industry. Disband it, or allow it to become so unattractive to the distributor that he no longer wishes to continue to represent a brand, and it is inevitable that the brand will disappear from important segments of the markets, to the ultimate and serious detriment of Scotch whisky world sales.

In June, 1975, Distillers came up with a scheme designed to satisfy EEC Competition laws and yet protect its sole distributors. It began to charge UK wholesalers one price if they intended to sell the Scotch in Britain and a higher price if they intended to export it to Europe. (There is still a Distillers' ban on exports by the unofficial channels to countries outside the EEC.) The differential was roughly £6 a case of 12 bottles or 50p a bottle, representing the extra cost of marketing Scotch in the overseas markets, according to

Distillers. This is the dual price system which the Commission ruled was unlawful.

That EEC decision is to be contested by Distillers at the European Court of Justice. But, as Mr. Carter pointed out, the ruling last December called for immediate implementation.

Because Johnnie Walker Red Label is the leading brand in world export markets and the prime target for parallel exporters, who were so easily able to capitalise on the wide consumer demand built up by the promotional efforts of its sole distributors, we judged that Walker would have been flooded with orders on the day following the announcement. We could not increase the price overnight because of UK prices legislation and we were unwilling to leave Red Label to be exploited by others to the longer-term detriment of the brand. We accordingly withdrew Red Label from sale in the home market as the only acceptable choice open to us in the changed circumstances.

We sought and obtained protective price increases for certain other brands and, while that action, designed solely to protect the export viability of the brands must virtually price them out of the home market, it is important to stress that there remained available large numbers of group brands at unchanged prices.

## Support

In fact, Distillers has by no means "upped out" of the home market. Much more support and promotional weight is being put behind Haig, a brand that already has a 13 per cent share of the market, compared with Red Label's 15 per cent. Among other things, Haig has been allocated £900,000 for this "push."

Distillers has also launched new brands for its existing marketing and sales forces to support. John Barr has been brought in by the John Walker business, and from Buchanan's and Black & White, comes the Buchanan Blend. Among other changes inspired by the sudden vacuum created by Distillers' decision, Seagrams, the Canadian-owned concern, which is the world's biggest whisky group, carefully chose its timing to kill-off the former 100 Pipers and, in all but one super-

market chain, its Passport brand. Instead, Seagram is offering an up-market brand called the Original Hundred Pipers.

Significantly it is the brands which managed to maintain a higher retail price which have come out at the top of the Scotch whisky sales league table in the UK. Bell's and Teacher's always took great care to be priced at least 10p above rival, standard brands. Today Bell's is probably the best-selling Scotch in Britain, with a possible 22 per cent market share, and Teacher's, now owned by Allied

Breweries, with 16 per cent, is ahead of Haig. After Haig there is a big gap before Grant's Standard and White Horse, with 5 to 7 per cent each.

## Poised

However, Grant's is extremely well poised to get the maximum advantage out of the changes. It is marketed in the UK by a company jointly owned by Bass Charrington, Allied Breweries and Whitebread (with 30 per cent each) and Wm. Grant, the privately-controlled brand owner (10 per cent). The brand is

now getting much more support from Bass, which has 9,000 pubs, since Bass dropped the agency for Vat 69 when the price went up. It has also replaced Vat 69 as the main pouring brand in the Grivell Whitley pubs, of which there are 1,500.

Highland Queen, the Macdonald Martin Distilleries brand, also seems to be among the immediate winners. Bass has taken on the agency, and Highland Queen is the only Scotch the brewer will offer to its substantial number of "free" trade customers (those outlets not owned by another brewer) in England and Wales. So Highland Queen will also take up some of the slack left by the departure of Vat 69's agency.

On the other hand, the potential "losers" must include J & B Rare, which had its UK price increased to protect it from potential damage by parallel importers, particularly in the U.S., where it is among the top three brands of Scotch. J & B is ultimately owned by the Grand Metropolitan Group. And Queen Anne, owned by Glenlivet Distillers, has been dropped by the Courage brewing group as a brand for the

Kenneth Gooding

# NEDO report awaited

Within the next two months a sector working party at the National Economic Development Office will produce a report on the whisky industry. It has spent the last nine months studying some of the industry's problems and attempting to arrive at a consensus about its future.

Whatever views the working party has—and considering the multifarious interests of management, unions and Government representatives they must at the very least have raised the lid on a number of issues—it is adamantly refusing to reveal its accumulated opinions and data until the November full council meeting.

Given the state of the whisky industry over the last few years it is hardly likely to be a "bullish" report, however. Three big issues have undoubtedly been studied in detail by the working party. The first is the trade barriers which have long had major producers chomping at the bit. There are over 300 international restrictions—special licences, quotas and other legislative enforcement measures which are regarded by the industry as "penalties of success."

shipment of bulk malt whisky to countries like Japan. Bulk or vatted malt is different from any other type of whisky, including bulk blends. Unlike the bulk blends which require no further processing at the country of destination other than dilution, bottling and casing, bulk malt is not intended for drinking as it is but is mixed with local spirit, sometimes with local malts. It gives a distinctive tasting end-product, an imitation Scotch whisky as some Scots accuse.

The question facing NEDO is whether it is in the industry's—or the country's—interest to continue shipments. It has become a "hot potato" for the Government. With an election creeping into closer view, Labour is particularly eager to be seen in a benevolent light in Scotland. There has been a steady flow of protest—increasingly vocal in the past year or two—from sectors within the industry, like Seagram which say that bulk malt exports provide good trade and do not necessarily threaten the future of the industry.

With so many interests at stake one solution NEDO could offer is a phasing out of exports over a given period of time. That way employees would not lose their jobs (estimated to be little more than 600), the importers would have time to find viable alternatives and Scotch whisky would in all likelihood remain supreme.

In the first seven months of this year shipments of Scotch whisky topped 57,79m gallons

worth £348.41m—up by 13 per cent in volume and 26 per cent in value on last year's figures. Bulk malts moved up by 12 per cent to 6.15m gallons.

Japan, Argentina and Brazil are the only significant importers of bulk malt, together importing just on 80 per cent of the total volume. Japan alone took 57 per cent. The remaining 10 per cent is exported to countries such as Spain and to the Caribbean. Spain now presents a problem similar to that of Japan.

In the seven months to the end of July, malt whisky shipped in bulk to give Spanish whisky that extra flavour advanced by 173 per cent to 670,000 gallons and by 187 per cent in value to £1.78m. It seems that Spain is now imitating the master imitators, the Japanese, by importing bulk malt to improve the taste of its up-market whiskies.

Rumours that Portugal is about to tap the Scotch malt whisky market must be an added worry for opponents of bulk malt shipments. As a potential EEC member, Portugal could well provide competition for Scotch whisky on the home market.

There would be a number of losers if bulk malt were banned—importers would take the brunt. But Suntory, the leading Japanese whisky group which is probably the fifth largest drinks business in the world, claims it would lose little sleep if a ban were imposed.

It claims that if necessary, bulk malt from Scotland could be replaced from its own

resources. This is not entirely true since the Japanese have so far had little success in producing a malt whisky which is anything like that from Scotland. In the past two years Suntory has doubled its malt whisky production capacity to about 14.5m gallons. Each bottle of Japanese whisky contains about 55 per cent Japanese grain and 45 per cent malt—and of the latter at least one-third is Scotch malt.

A number of Scotch producers claim that with Suntory's expansion the days are not many before it is successfully passing off Japanese whisky worldwide as a viable alternative to Scotch. Suntory has already tried in Australia, but Mr. Keizo Saji, president of Suntory, has denied that Scotch whisky would be threatened by their product.

For example, even with our very best efforts we have so far not been very successful in the U.S.," Mr. Saji said during a recent visit to London, "and to be realistic, I don't expect we will be."

But producers have heeded other words of Mr. Saji—that Suntory's expansion outside Japan will be by acquisition. Suntory is growing. It is stepping into traditional Scotch whisky markets and as one producer said, "They are trying like hell to compete with Scotch whisky. If we don't ban bulk malt we will have to find some way to stop feeding our unique weaponry to our opponents. I just hope NEDO has the answer."

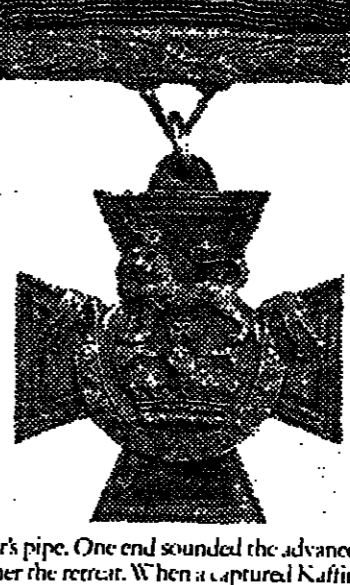
Colleen Toomey

siege of Pondicherry, 1793, the 72nd Seaforth's were pinned down by the French. The Piper was ordered to play a "Pibroch" (the symphony of bagpipe music). The French started then the enemy fire slackened. Soon after, it ceased as the French crowded their battlements in amazement at the sound.

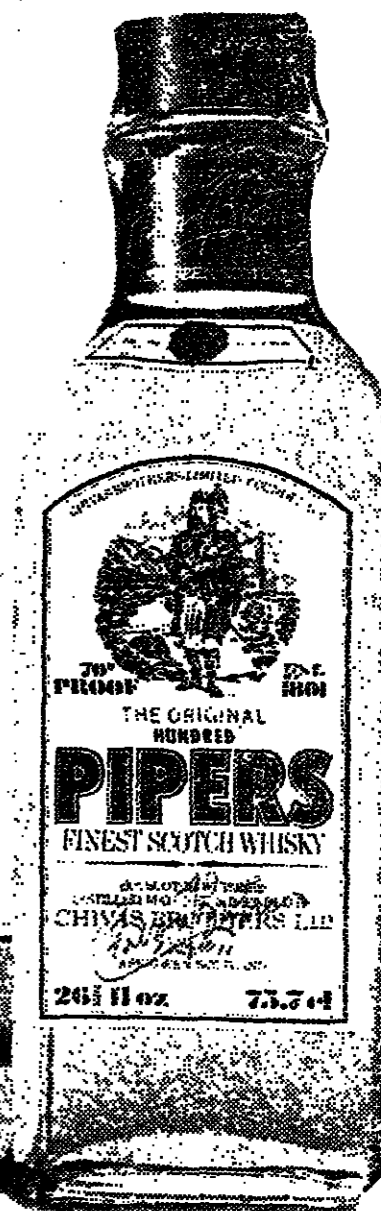
The Piper's Stone at Cromdale Hill. On this spot, in a battle against the Royalists in 1691, a brave piper played non-stop for hours to revive the flagging spirits of his comrades before he himself fell.

At the battle of Kildonan, one buller passed through William Middleton's pipes. Another knocked the brass off his helmet, another went through his kilt, others through his haversack, water bottle, and a button. Another struck the heel of his boot. He was unscathed.

Three pipers were awarded the Victoria Cross during the Great War.



A Kaffir's pipe. One end sounded the advance, the other the retreat. When a captured Kaffir Chief asked how the bagpipers sounded the retreat: "They cannot give such a signal," he was told.



An old and very revered tradition was that a dram of the very best whisky was always reserved for the Piper.

It had to be the best, mind. For the Piper knew his whisky.

And so it was that Chivas Brothers, with an eye on this tradition, produced Pipers.

At the oldest working distillery in the Highlands, Chivas Brothers have skillfully blended Pipers using the finest of Scotch whiskies.

Whiskies renowned for their smoothness and flavour.

Whiskies whose very names are music to the Piper.

*Chivas Brothers*

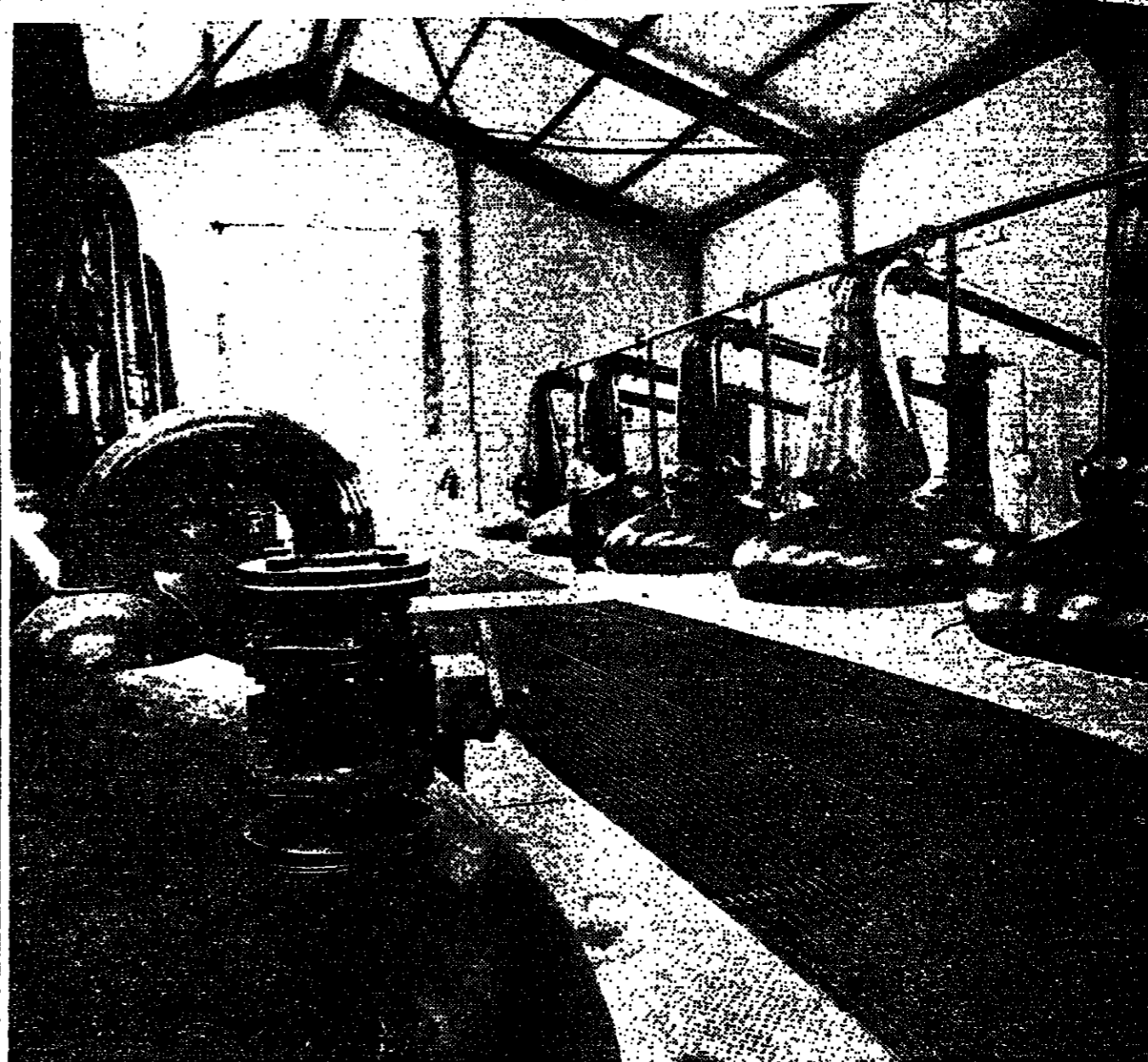
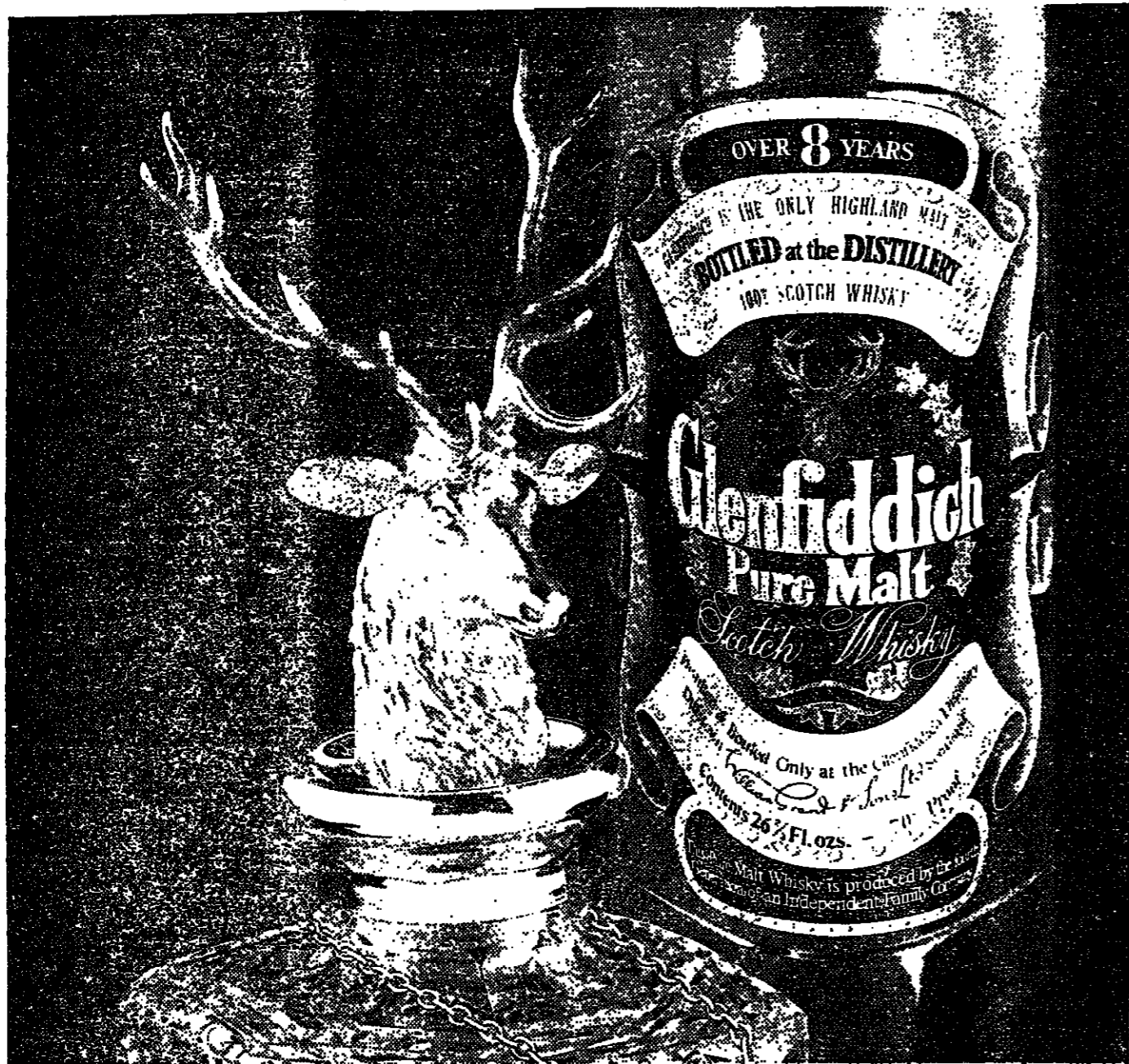
Chivas Brothers, Aberdeen, Scotland Blenders of fine whisky for over a century and a half.

# No wonder the best whisky is reserved for the Piper.

## There's only one way to take Glenfiddich.

### Seriously.

You can take it straight.  
Or with a little plain water.  
But do remember that you're  
tasting no ordinary Scotch.  
Glenfiddich is a pure, single malt.  
Distilled in the ancient way, in  
traditional handbeaten copper stills.  
The result is, perhaps, the finest  
whisky the Highlands have to offer.  
Take it slowly. Take it seriously.  
'Glenfiddich' in Gaelic means  
'Valley of the Deer.'



Rows of stills at the Glenfiddich distillery, Speyside. The number of stills has been doubled in a recent expansion programme.

## Prestige industry for Scotland

ASK MOST people about the whisky industry brings to Scotland and they will immediately talk about the massive sums of duty raised on the sale of the product at home and the substantial balance of payments surplus earned by Scotch overseas. But like the revenues from North Sea oil and even the corporation tax paid by the whisky companies, these are benefits that accrue to the UK Treasury, not to Scotland directly. Determining how much of this money eventually finds its way north of the border is in the end an arbitrary exercise.

There are, however, some direct benefits which are easier to quantify. Scotch is a uniquely Scottish product — and is so by law. The 1968 Finance Act was the last legislative measure to spell out that: to be called Scotch a whisky must be distilled and matured in Scotland. It is virtually the only completely Scottish industry left — even the weaving of tartan and manufacture of haggis are now pirated abroad. So one substantial benefit that Scotland derives from the industry is publicity and prestige.

The making of Scotch is very much an export orientated activity (nearly 50m proof gallons out of a total of 80m made in the first six months of this year were sold abroad). And in those markets in which it does particularly well, notably the U.S., it is sold and consumed as a prestige product. It competes with locally produced whiskies and is usually more expensive, but it sells because it is acknowledged to be superior.

### Quality

There is little doubt that this image of a top quality product produced in Scotland reflects on other items made in the country and indeed on Scotland itself. Evidence of that is the increasing number of American and Japanese tourists insisting on a distillery visit as part of their holiday in Scotland.

The industry is also a substantial employer, providing directly 25,000 jobs and indirectly possibly another two or three times that number. By comparison with its volume of output it is not labour-intensive, and most of its employment is in peripheral activities like bottling, storage, and transport. The distilling itself is very much a minority occupation.

For example, the industry's largest group, the Distillers Company (DCL), employs only about 20,000 (compared with 40,000 in Allied Breweries, a group of roughly comparable size in the food and drinks industry) and of this number only about two-thirds are on the whisky side of the company's business. And of that 14,000 contingent, only around 4,000 are actually employed in distilleries.

Despite this relatively small number of jobs and somewhat lopsided profile, the industry has positive features which suit Scotland's demography very well. The biggest users of

labour, the bottling halls (the largest each employ up to 1,000) are in the populous central belt of the country and provide much needed jobs, particularly for women. The smaller users of labour, the distilleries, are scattered literally over the length and breadth of the country. There are more than 120, counting the grain distilleries in the central belt and the malt distilleries in the Lowlands, Highlands and Islands, each producing a distinctive product. There is no other manufacturing industry which is so decentralised and which provides so much direct and indirect employment in so many remote localities.

Islay, the extreme example, is only a medium-sized island and but for its eight distilleries would share with its neighbours the precarious existence of isolated communities. New and old, the distilleries are completely compatible with its character and have made its economy prosperous and secure.

Nearby Jura has one distillery, as does Skye, and Orkney has two. On the mainland the Speyside towns and villages owe their relatively comfortable existence to the dozens of distilleries in the area, and more remote towns such as Tain, Brora and Wick are equally thankful for their employment from whisky.

However, the imbalance of employment between bottling and primary production has highlighted one of the biggest controversies in the industry — the question whether whisky should be allowed to be exported in bulk. The subject is a sensitive one and since the attitudes of individual companies differ radically it is one which the Scotch Whisky Association cannot easily discuss in public.

On the one hand are those companies, notably DCL, which refuse to countenance the export of whisky in any container other than a bottle. They have the support of the trade unions, both at official level through the Scottish TUC and the General and Municipal Workers Union, which is strong in bottling halls, and at unofficial level through the shop stewards combined committee.

The argument is two-fold: first, that exporting in bulk deprives Scottish workers of jobs in bottling and, secondly, that by exporting superior Scottish spirit — particularly high quality malts — foreign competitors are helped to produce a product which is taking sales from Scotch in important growing markets.

Japanese companies have largely abandoned their attempts to produce a top quality whisky entirely from locally made spirit and blend their own grain whisky with imported Scotch to make brands which are doing well in Third World countries and are being launched in the U.S.

On the other hand, are those companies such as Glenlivet, Seagram and some independent distillers like Tomatin which argue that export in bulk can

actually create jobs since it is not a mere substitute for bottled Scotch industry, which is exporting but a different trade. Unions have claimed the total number of jobs lost at 6,000. Indirectly the industry but a report a year ago from Economic Associates put the figures much lower, at between 600 and 1,400, and estimated that bulk sales overseas earned £19m a year. This is a conflict that will not easily be resolved, but so far at least the Government has shown no sign that it intends to bow to the lobby of the unions and prohibit bulk sales abroad.

There are other aspects about the employment benefits of the industry which are important. Although many whisky companies find it necessary to maintain a London office, their headquarters remain in Scotland — DCL and Glenlivet in Edinburgh, Teachers and Highland Distilleries in Glasgow, Seagrams in Paisley, Bells in Perth.

The concentration of so much white collar, and particularly executive, employment involved, is in marked contrast to the

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INDUSTRIALS—Continued

Stock	Price	±	Div	Yield	Vol	High	Low
Anglo American	240	+	1.25	5.2%	100	235	245
Anglo Coal	180	+	1.00	5.6%	80	175	185
Anglo Gold	120	+	0.75	6.3%	60	115	125
Anglo Iron	100	+	0.50	5.0%	50	95	105
Anglo Lead	80	+	0.40	5.0%	40	75	85
Anglo Zinc	60	+	0.30	5.0%	30	55	65
Anglo Copper	40	+	0.20	5.0%	20	35	45
Anglo Nickel	20	+	0.10	5.0%	10	15	25
Anglo Platinum	10	+	0.05	5.0%	5	5	15
Anglo Silver	5	+	0.02	4.0%	2	2	10
Anglo Uranium	3	+	0.01	3.3%	1	1	6
Anglo Vanadium	2	+	0.01	5.0%	1	1	4
Anglo Manganese	1	+	0.01	10.0%	1	1	2
Anglo Tin	0.5	+	0.01	2.0%	0.5	0.5	1
Anglo Bismuth	0.2	+	0.01	5.0%	0.1	0.1	0.3
Anglo Antimony	0.1	+	0.01	10.0%	0.05	0.05	0.15
Anglo Arsenic	0.05	+	0.01	20.0%	0.02	0.02	0.08
Anglo Selenium	0.02	+	0.01	5.0%	0.01	0.01	0.04
Anglo Tellurium	0.01	+	0.01	10.0%	0.005	0.005	0.02
Anglo Molybdenum	0.005	+	0.01	20.0%	0.002	0.002	0.01
Anglo Iridium	0.002	+	0.01	50.0%	0.001	0.001	0.005
Anglo Rhodium	0.001	+	0.01	100.0%	0.0005	0.0005	0.002
Anglo Palladium	0.0005	+	0.01	200.0%	0.0002	0.0002	0.001
Anglo Osmium	0.0002	+	0.01	500.0%	0.0001	0.0001	0.0005
Anglo Rhenium	0.0001	+	0.01	1000.0%	0.00005	0.00005	0.0002
Anglo Boron	0.00005	+	0.01	2000.0%	0.00002	0.00002	0.0001
Anglo Fluorine	0.00002	+	0.01	5000.0%	0.00001	0.00001	0.00005
Anglo Chlorine	0.00001	+	0.01	10000.0%	0.000005	0.000005	0.00002
Anglo Bromine	0.000005	+	0.01	20000.0%	0.000002	0.000002	0.00001
Anglo Iodine	0.000002	+	0.01	50000.0%	0.000001	0.000001	0.000005
Anglo Francium	0.000001	+	0.01	100000.0%	0.0000005	0.0000005	0.000002
Anglo Actinium	0.0000005	+	0.01	200000.0%	0.0000002	0.0000002	0.000001
Anglo Thorium	0.0000002	+	0.01	500000.0%	0.0000001	0.0000001	0.0000005
Anglo Protactinium	0.0000001	+	0.01	1000000.0%	0.00000005	0.00000005	0.0000002
Anglo Uranium-235	0.00000005	+	0.01	2000000.0%	0.00000002	0.00000002	0.0000001
Anglo Neptunium	0.00000002	+	0.01	5000000.0%	0.00000001	0.00000001	0.00000005
Anglo Plutonium	0.00000001	+	0.01	10000000.0%	0.000000005	0.000000005	0.00000002
Anglo Americium	0.000000005	+	0.01	20000000.0%	0.000000002	0.000000002	0.00000001
Anglo Curium	0.000000002	+	0.01	50000000.0%	0.000000001	0.000000001	0.000000005
Anglo Beryllium	0.00000001	+	0.01	100000000.0%	0.0000000005	0.0000000005	0.000000002
Anglo Magnesium	0.000000005	+	0.01	200000000.0%	0.0000000002	0.0000000002	0.000000001
Anglo Calcium	0.000000002	+	0.01	500000000.0%	0.0000000001	0.0000000001	0.0000000005
Anglo Strontium	0.000000001	+	0.01	1000000000.0%	0.00000000005	0.00000000005	0.0000000002
Anglo Barium	0.0000000005	+	0.01	2000000000.0%	0.00000000002	0.00000000002	0.0000000001
Anglo Radium	0.0000000002	+	0.01	5000000000.0%	0.00000000001	0.00000000001	0.00000000005
Anglo Polonium	0.0000000001	+	0.01	10000000000.0%	0.000000000005	0.000000000005	0.00000000002
Anglo Astatine	0.00000000005	+	0.01	20000000000.0%	0.000000000002	0.000000000002	0.00000000001
Anglo Tellurium-128	0.00000000002	+	0.01	50000000000.0%	0.000000000001	0.000000000001	0.000000000005
Anglo Tellurium-130	0.00000000001	+	0.01	100000000000.0%	0.0000000000005	0.0000000000005	0.000000000002
Anglo Xenon-136	0.000000000005	+	0.01	200000000000.0%	0.0000000000002	0.0000000000002	0.000000000001
Anglo Xenon-138	0.000000000002	+	0.01	500000000000.0%	0.0000000000001	0.0000000000001	0.0000000000005
Anglo Xenon-140	0.000000000001	+	0.01	1000000000000.0%	0.00000000000005	0.00000000000005	0.0000000000002
Anglo Xenon-142	0.0000000000005	+	0.01	2000000000000.0%	0.00000000000002	0.00000000000002	0.0000000000001
Anglo Xenon-144	0.0000000000002	+	0.01	5000000000000.0%	0.00000000000001	0.00000000000001	0.00000000000005
Anglo Xenon-146	0.0000000000001	+	0.01	10000000000000.0%	0.000000000000005	0.000000000000005	0.00000000000002
Anglo Xenon-148	0.00000000000005	+	0.01	20000000000000.0%	0.000000000000002	0.000000000000002	0.00000000000001
Anglo Xenon-150	0.00000000000002	+	0.01	50000000000000.0%	0.000000000000001	0.000000000000001	0.000000000000005
Anglo Xenon-152	0.00000000000001	+	0.01	100000000000000.0%	0.0000000000000005	0.0000000000000005	0.000000000000002
Anglo Xenon-154	0.000000000000005	+	0.01	200000000000000.0%	0.0000000000000002	0.0000000000000002	0.000000000000001
Anglo Xenon-156	0.000000000000002	+	0.01	500000000000000.0%	0.0000000000000001	0.0000000000000001	0.0000000000000005
Anglo Xenon-158	0.000000000000001	+	0.01	1000000000000000.0%	0.00000000000000005	0.00000000000000005	0.0000000000000002
Anglo Xenon-160	0.0000000000000005	+	0.01	2000000000000000.0%	0.00000000000000002	0.00000000000000002	0.0000000000000001
Anglo Xenon-162	0.0000000000000002	+	0.01	5000000000000000.0%	0.00000000000000001	0.00000000000000001	0.00000000000000005
Anglo Xenon-164	0.0000000000000001	+	0.01	10000000000000000.0%	0.000000000000000005	0.000000000000000005	0.00000000000000002
Anglo Xenon-166	0.00000000000000005	+	0.01	20000000000000000.0%	0.000000000000000002	0.000000000000000002	0.00000000000000001
Anglo Xenon-168	0.00000000000000002	+	0.01	50000000000000000.0%	0.000000000000000001	0.000000000000000001	0.000000000000000005
Anglo Xenon-170	0.00000000000000001	+	0.01	100000000000000000.0%	0.0000000000000000005	0.0000000000000000005	0.000000000000000002
Anglo Xenon-172	0.000000000000000005	+	0.01	200000000000000000.0%	0.0000000000000000002	0.0000000000000000002	0.000000000000000001
Anglo Xenon-174	0.000000000000000002	+	0.01	500000000000000000.0%	0.0000000000000000001	0.0000000000000000001	0.0000000000000000005
Anglo Xenon-176	0.000000000000000001	+	0.01	1000000000000000000.0%	0.00000000000000000005	0.00000000000000000005	0.0000000000000000002
Anglo Xenon-178	0.0000000000000000005	+	0.01	2000000000000000000.0%	0.00000000000000000002	0.00000000000000000002	0.0000000000000000001
Anglo Xenon-180	0.0000000000000000002	+	0.01	5000000000000000000.0%	0.00000000000000000001	0.00000000000000000001	0.00000000000000000005
Anglo Xenon-182	0.0000000000000000001	+	0.01	10000000000000000000.0%	0.000000000000000000005	0.000000000000000000005	0.00000000000000000002
Anglo Xenon-184	0.00000000000000000005	+	0.01	20000000000000000000.0%	0.000000000000000000002	0.000000000000000000002	0.00000000000000000001
Anglo Xenon-186	0.00000000000000000002	+	0.01	50000000000000000000.0%	0.000000000000000000001	0.000000000000000000001	0.000000000000000000005
Anglo Xenon-188	0.00000000000000000001	+	0.01	100000000000000000000.0%	0.0000000000000000000005	0.0000000000000000000005	0.000000000000000000002
Anglo Xenon-190	0.000000000000000000005	+	0.01	200000000000000000000.0%	0.0000000000000000000002	0.0000000000000000000002	0.000000000000000000001
Anglo Xenon-192	0.000000000000000000002	+	0.01	500000000000000000000.0%	0.0000000000000000000001	0.0000000000000000000001	0.0000000000000000000005
Anglo Xenon-194	0.000000000000000000001	+	0.01	1000000000000000000000.0%	0.00000000000000000000005	0.00000000000000000000005	0.0000000000000000000002
Anglo Xenon-196	0.0000000000000000000005	+	0.01	2000000000000000000000.0%	0.00000000000000000000002	0.00000000000000000000002	0.0000000000000000000001
Anglo Xenon-198	0.0000000000000000000002	+	0.01	5000000000000000000000.0%	0.00000000000000000000001	0.00000000000000000000001	0.00000000000000000000005
Anglo Xenon-200	0.0000000000000000000001	+	0.01	10000000000000000000000.0%	0.000000000000000000000005	0.000000000000000000000005	0.00000000000000000000002
Anglo Xenon-202	0.00000000000000000000005	+	0.01	20000000000000000000000.0%	0.000000000000000000000002	0.000000000000000000000002	0.00000000000000000000001
Anglo Xenon-204	0.00000000000000000000002	+	0.01	50000000000000000000000.0%	0.000000000000000000000001	0.000000000000000000000001	0.000000000000000000000005
Anglo Xenon-206	0.00000000000000000000001	+	0.01	100000000000000000000000.0%	0.0000000000000000000000005	0.0000000000000000000000005	0.000000000000000000000002
Anglo Xenon-208	0.000000000000000000000005	+	0.01	200000000000000000000000.0%	0.0000000000000000000000002	0.0000000000000000000000002	0.000000000000000000000001
Anglo Xenon-210	0.000000000000000000000002	+	0.01	500000000000000000000000.0%	0.0000000000000000000000001	0.0000000000000000000000001	0.0000000000000000000000005
Anglo Xenon-212	0.000000000000000000000001	+	0.01	1000000000000000000000000.0%	0.00000000000000000000000005	0.00000000000000000000000005	0.0000000000000000000000002
Anglo Xenon-214	0.0000000000000000000000005	+	0.01	2000000000000000000000000.0%	0.00000000000000000000000002	0.00000000000000000000000002	0.0000000000000000000000001
Anglo Xenon-216	0.0000000000000000000000002	+	0.01	5000000000000000000000000.0%	0.00000000000000000000000001	0.00000000000000000000000001	0.00000000000000000000000005
Anglo Xenon-218	0.0000000000000000000000001	+	0.01	10000000000000000000000000.0%	0.000000000000000000000000005	0.000000000000000000000000005	0.00000000000000000000000002
Anglo Xenon-220	0.00000000000000000000000005	+	0.01	20000000000000000000000000.0%	0.000000000000000000000000002	0.000000000000000000000000002	0.00000000000000000000000001
Anglo Xenon-222	0.00000000000000000000000002	+	0.01	50000000000000000000000000.0%	0.000000000000000000000000001	0.000000000000000000000000001	0.000000000000000000000000005
Anglo Xenon-224	0.00000000000000000000000001	+	0.01	100000000000000000000000000.0%	0.0000000000000000000000000005	0.0000000000000000000000000005	0.000000000000000000000000002
Anglo Xenon-226	0.000000000000000000000000005	+	0.01	200000000000000000000000000.0%	0.0000000000000000000000000002	0.0000000000000000000000000002	0.000000000000000000000000001
Anglo Xenon-228	0.000000000000000000000000002	+	0.01	500000000000000000000000000.0%	0.0000000000000000000000000001	0.00000000000	

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Wednesday September 20 1978

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## British money broker to trade in Tokyo

BY JAMES BARTHOLOMEW

ONE OF the two leading British money brokers, Astley and Pearce, will start trading in Tokyo on October 2. It will be the first foreign broking firm allowed to deal in Japan. Conditional permission for the opening was granted in April but doubts still remained about whether the branch would be established. Astley and Pearce was subject to a new rule whereby it had to obtain the sponsorship of 34 banks, including all 14 City banks. Previously sponsorship of only four banks had been required. The firm was able to obtain sponsorship from 44 banks. It will become a full member of the Japanese Brokers' Association on October 1. Full admittance to the Japanese broking fraternity is a coup for the company and follows a year of negotiation and diplomacy. The role of the Bank of England, the Bank of Japan and the British Embassy in Japan was praised by Mr. John Gunn, managing director of Astley and Pearce yesterday. He said he had "nothing but admiration" for the help and advice they had given.

### Middlemen

Money brokers are middlemen between banks who want to buy and sell currency or deposits. The market in Japan has different practices from those elsewhere and in particular the brokers are not allowed to arrange deals between banks in Japan and banks overseas. Astley and Pearce has been admitted to the association on condition that it adheres to local practices and customs. It accepted this condition, believing the Japanese market can only change at a pace and in the way that the authorities there desire. However it has requested that international broking operations and extension of market hours should be allowed. Without these changes the venture would remain on a limited domestic scale. The brokers' association has agreed to study these requests next year. Tokyo is the last remaining financial centre without international money broking. Controls in banking and finance have been eased recently and exchange control regulations are being reviewed. City money brokers breaks the Tokyo ice, Page 23

## Return of major trunk road powers pleases counties

BY LYNTON MCLEIN

THE GOVERNMENT plan to pass its responsibility for road building to county councils by the early 1980s was welcomed by the Association of County Councils yesterday. The plan was published by the Department of Transport in July in a discussion paper on "Future organisation for road construction". This call for

## Bathgate strikers to consider going back

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SHOP STEWARDS at the BL-owned British Leyland Bathgate truck and tractor plant hope that a return to work next week by the 1,500 machinists, whose unofficial strike has stopped production for six weeks, will persuade the management to reinstate its £33m investment programme. The strikers are to meet on Friday to consider a recommendation from the stewards to call off the dispute. The company has persistently refused to discuss their claim for extra money, their union and other sections of the plant oppose them; and it is thought likely that they will vote to return. However, only 36 of the 45 machine-shop stewards attended the meeting yesterday and the decision to recommend an end to the strike was close, at 20 to 16.

They were urged to call off the strike by Mr. Jimmy Swan, union convenor at Bathgate, who has led the attempt by the Amalgamated Union of Engineering Workers (AUEW) and the inter-union plant shop stewards' committee to settle the dispute. He said that there would be a meeting with Mr. Gavin Laird, the union's Scottish executive member, who has offered to raise the machinists' grievances with the management, provided they return to normal working. The dispute began when machinists refused to work with new equipment, although it was covered by an agreement signed by their union. Mr. Swan added that the strike leaders had been told that they were unlikely to get any extra

money for operating new automatic machine tools, except through the productivity arrangements covering the whole plant. The union's priority is to reverse the decision by Leyland Vehicles, announced on Monday, to switch new investment away from Bathgate to reduce the dependence of the rest of the company on the plant. The workforce was to have been expanded from its present level of 5,500 to 9,000 by 1982, but will now only rise to 7,500. The local constituency Labour Party has written to the Prime Minister, Mr. Eric Varley, the Industry Secretary, Mr. Bruce Millan, the Scottish Secretary, and the Scottish TUC in an attempt to get the company to change its mind. Mr. Swan said the decision to cancel investment plans is "non-negotiable". It added yesterday that although cautiously optimistic about a return to work at Bathgate, it saw no reason to reverse the decision.

Mr. George Regan said last night that it was time for the unofficial toolroom committee, led by Mr. Roy Fraser, to have "the courage" to take action. "This is a decision we will be faced with whether it is this month or in the future. The toolroom committee has the authority to call a strike," Mr. Regan maintained that

### Courage

Arthur Smith writes: The leader of the 32 unofficial strikers at SU Fuel Systems will today urge an all-out strike by 3,000 BL Cars toolmakers. Mr. George Regan said last night that it was time for the unofficial toolroom committee, led by Mr. Roy Fraser, to have "the courage" to take action. "This is a decision we will be faced with whether it is this month or in the future. The toolroom committee has the authority to call a strike," Mr. Regan maintained that

## World aluminium industry faces EEC anti-cartel proceedings

BY GILES MERRITT

THE EUROPEAN Commission has initiated anti-cartel proceedings against what amounts to the world aluminium industry. In the first formal move of what promises to be a hard-fought legal battle, the Commission has issued 186 pages of detailed "statements of objection" to more than 30 aluminium companies, including a number of Comecon state trading bodies. The companies now have three months to prepare their defences. The Commission can then decide either to drop its case or to impose fines. The complexity of the alleged infringements of the Treaty of Rome is expected to lead to a legal marathon. Some aluminium companies have also suggested that they may contest any EEC Commission fine. The case against the aluminium companies concerns the Eastern Purchase Agreements of 1963 to

1975, between aluminium companies within the EEC and state trading organisations in Hungary, Poland, East Germany and the Soviet Union. According to reports in Brussels, the practice in dispute involved the purchase of so-called "Russian metal" from the four Eastern European countries at comparatively low prices, and the re-selling of it inside the Community at an agreed higher price. The EEC Competition Department's investigation began in 1975. The Eastern Purchase Agreements had been notified to the Brussels Commission as a restrictive practice in 1970. They were discontinued by the companies in 1975. In 1975, the Commission declared that trading rules adopted by several aluminium companies under the aegis of a Lichtenstein-based organisation—

the International Fair Trade Practice Rules Administration—permitted price fixing and dumping. The suspicion here is that Mr. Raymond Vuel, the Competition Commissioner, has widened his inquiry into a general investigation of price fixing.

## Commonwealth talks on IMF resources

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CONCERTED pressure for an increase in resources available to the World Bank and the International Monetary Fund is expected to result from discussions among Commonwealth Finance Ministers starting in Montreal today. The ministers are holding their traditional two days of talks before the annual meetings of the two bodies which start in Washington immediately afterwards.

Mr. Healey, the Chancellor of the Exchequer, flew to Montreal yesterday at the start of 10 days of talks to be followed by a largely private visit to New York. The main concern of ministers at the Montreal meeting is likely to be to find the best way to press for an increase in the resources of the IMF and the World Bank, the need for which is generally agreed within the Commonwealth.

However, the U.S. Administration has appeared to be dragging its feet both about the latest proposals for a big increase in member countries' IMF quotas and a further allocation of special drawing rights, the credits created by the IMF and based on a basket of 16 currencies. U.S. officials have been reluctant to make new commitments on these topics because of their cool reception in Congress, which has still not finally approved the supplementary financing facility for the IMF.

Britain, like most of the Commonwealth, favours a substantial increase in quotas and an extra Special Drawing Right allocation. Mr. Healey's view is that while there is a quite a lot of liquidity in the world, it is not necessarily well distributed. Apart from discussing the need for increasing the capital of the World Bank and the IMF's resources, the finance ministers are also expected to talk about Commonwealth co-operation. This is likely to include an examination of trends in bilateral aid and a review of activities begun by the Commonwealth Secretary's relative to access to capital markets.

The two-day Commonwealth meetings are traditionally low key though, in the past, Mr. Healey has sometimes taken the opportunity to give an indication of his thinking. Apart from the formal agenda, a large amount of the ministers' time, in both Montreal and Washington, is likely to be taken up with discussions about the dollar and the proposed European Monetary System.

**Weather**  
UK TODAY  
MOSTLY dry, sunny spells, some rain in N.  
London, S.E. England, E. Anglia, E. Midlands  
Dry, sunny periods. Max. 18C (64F).  
Cent. S.W. England, W. Midlands, Channel Isles  
Mainly dry, sunny intervals. Max. 17C (63F).

**BUSINESS CENTRES**

City	Time	City	Time
Amsterdam	10.00	London	12.00
Antwerp	10.00	Madrid	13.00
Bahrein	10.00	Manchester	13.00
Barcelona	10.00	Medan	13.00
Bombay	10.00	Meppen	13.00
Buenos Aires	10.00	Moscow	13.00
Calcutta	10.00	Mumbai	13.00
Canton	10.00	Nairobi	13.00
Cebu	10.00	Osaka	13.00
Colon	10.00	Perth	13.00
Hankow	10.00	Rangoon	13.00
Hong Kong	10.00	Seoul	13.00
Kobe	10.00	Singapore	13.00
London	10.00	Sydney	13.00
Lyons	10.00	Taipei	13.00
Manila	10.00	Tokyo	13.00
Medan	10.00	Yokohama	13.00
Meppen	10.00		
Moscow	10.00		
Mumbai	10.00		
Nairobi	10.00		
Osaka	10.00		
Perth	10.00		
Rangoon	10.00		
Seoul	10.00		
Singapore	10.00		
Sydney	10.00		
Taipei	10.00		
Tokyo	10.00		
Yokohama	10.00		

## Norway may nationalise threatened ships

Financial Times Reporter

THE Norwegian Government is considering taking into state ownership modern merchant ships which owners might otherwise be forced to sell abroad. The scheme would be funded from the Kr. 1.5bn (£150m) still remaining of the sum allocated to the Norwegian Guarantee Institute. The institute has been used in the past two years to cover the debts of ailing shipowners.

The scheme would be implemented, the plan would involve a dramatic change of direction in Norwegian shipping policy. It would represent the first wide-ranging government decision to respond to the shipping slump with a policy of nationalisation. Mr. Per Martin Oltedal, Deputy Shipping Minister in the Labour Government, said yesterday the whole idea was still at the discussion stage.

Details of the idea were leaked to the Oslo newspaper, Arbeiderbladet, after the mouthpiece of the ruling Labour Party. According to the newspaper, the Government would be asked to take over ships for which freight contracts could be obtained. The Government would use sound Norwegian shipping companies to manage its fleet.

### Reluctant

The Norwegian Shipowners Association said it had been told nothing of the scheme during recent extensive talks with senior Ministers about the future of the industry. The owners will strongly resist the plan. But the Government appears equally reluctant to help the owners either by enabling them to transfer vessels to foreign registries with lower crew costs or by offering tax advantages.

The new development follows shortly after an agreement between the Guarantee Institute and Hambros Bank on the coverage of debts for the Rekesten shipping companies. A proposal to finance any new venture from institute funds would appear to raise doubts about the possibility of the institute's acting to help companies in the future.

## Some tricky sums at Thomson

THE LEX COLUMN

Today marks the start of dealings in International Thomson Organisation (ITO), which is the Thomson Organisation re-born, and the event is awaited with some trepidation by the market. Thomson shares have been exchanged for common stock in ITO, which ranks as a foreign currency security, plus sterling/dollar convertible preference shares.

The package would be tricky to evaluate accurately in the best of circumstances. What makes it almost impossible is the size of the preference element, which could amount to about £250m. That would roughly double the size of the existing UK sterling/dollar convertible market, and dwarf the value of the common stock into which it is to be converted. The tail is very much bigger than the dog.

So the jobbers do not really know what is going to hit them this morning. The theoretical prices, based on last night's closing price of 285p for Thomson, could be a shade under 240p for the convertible and around 310p for the common, cum premium. But in practice a lot rests on whether the stock is being bought by gross or net funds—which would place a different value on the future income stream in the convertible—and whether a prospective p/e of under 7 ex premium will attract non-resident buyers. Phillips and Drew, in a circular on the new securities, suggest that UK investors might well cash in the dollar premium element by selling the common and switching into the higher yielding convertible.

It also imposed very strict conditions on what Lotus could do with the money, and took an option on 9.7 per cent of the shares. If it is too early yet to say that Lotus is out of the woods, it reported a profit of £556,874 for 1977 though overall gearing is slightly higher—but there is ample evidence that it is benefiting from the American Express involvement.

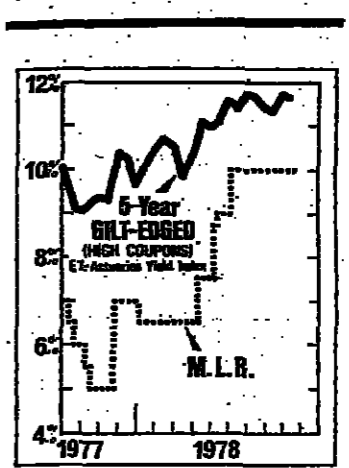
### French rights

Yesterday's rights issues from Lafarge and Petroshe BP take the total new share capital raised on the Paris Bourse since the elections to over FF 2bn.

There is plenty more to come. The Lafarge issue has been priced at only 2 per cent discount to the market's closing price of FF 204.20, but the underwriters will presumably support the FF 200 level if necessary. The insurance companies, which are rumoured to be buying more equities in return for being allowed to put up their premiums, may have a role to play here.

The tight pricing is to some extent made up for by forecasts of good profit growth this year and a substantial dividend increase, plus the fact that the new shares will rank for this year's dividend. But consolidation profits are only forecast to return to 1976 levels, and although Lafarge seems to be drawing some benefit from the six.

### Index fell 5.6 to 525.2



freeding of cement prices in France, earnings from its Canadian business will be depressed this year in franc terms by the weak Canadian dollar.

All in all the historic yield of 8.3 per cent reflects the group's trading position. Lafarge should be able to rely on French private investors who subscribe to rights issues to help the new shares on their way.

In contrast, private investors hardly figure in the French BP issue, as the parent company holds 70 per cent of the shares.

**Bank of Scotland**  
The Bank of Scotland has long enjoyed a premium rating in the banking sector but it is hard to see how this is justified by its recent record. In 1977-78 the bank's performance looked relatively sluggish in comparison with the other Scottish clearing banks. This trend seems to be continuing in the current year.

At the half way stage pre-tax profits of £13.3m are 2.1 per cent lower than in the immediate preceding half year. This is very disappointing given the loan volume increased by 11 per cent, the average base rate was nearly a third higher at 8.6 per cent, there was a half point improvement in margins, and there was an initial contribution of perhaps £0.5m from pension funds.

Costs have proved a problem and the extra contribution may have trimmed close to firm of profits. However, the real problem was the "substantially higher" undisclosed charges for general bad debt provision. The explanation is that the bank has built up its foreign currency lending from virtually nil to around a third of the total over the last three years. As international margins are under severe pressure this means that virtually all the international profits are initially being absorbed in the establishment of bad debt provisions.

Assuming that interest rate stay around current levels the Bank of Scotland should be able to make profits of over £50m this year. But it still needs to prove that its rapid expansion into the international markets, plus the fact that the new shares will rank for this year's dividend. But consolidation profits are only forecast to return to 1976 levels, and although Lafarge seems to be drawing some benefit from the six.

## TOKAI BANK FINANCIAL STATEMENT

(In thousands)

(As of March 31, 1978)

CONDENSED BALANCE SHEET			
<b>Assets</b>			
Cash and Due from Banks	¥ 875,416,464	US\$ 3,337,110	
Call Loans	44,800,071	201,484	
Securities	1,153,708,865	5,188,664	
Loans and Bills Discounted	4,875,254,868	21,026,557	
Foreign Exchange	540,699,861	2,431,750	
Domestic Exchange Settlements, etc., Dr.	132,710,396	596,853	
Bank Premises and Real Estate	94,477,563	424,905	
Other Assets	45,084,507	202,764	
Customers' Liabilities for Acceptances and Guarantees	864,643,028	3,888,668	
<b>Total Assets</b>	<b>¥8,436,790,383</b>	<b>US\$37,598,765</b>	
<b>Liabilities</b>			
Deposits	¥5,918,235,244	US\$26,616,740	
Call Money	389,318,953	1,750,929	
Borrowed Money	477,796,530	2,148,804	
Foreign Exchange	157,263,818	707,280	
Domestic Exchange Settlements, etc., Cr.	139,806,833	627,420	
Accrued Expenses	109,717,908	493,447	
Unearned Income	31,877,201	143,365	
Other Liabilities	42,968,855	193,233	
Reserve for Possible Losses	66,744,537	295,680	
Reserve for Retirement Allowances	32,576,777	146,511	
Other Reserves	9,296,178	42,259	
Acceptances and Guarantees	864,643,028	3,888,668	
<b>Total Liabilities</b>	<b>¥8,239,099,352</b>	<b>US\$37,054,326</b>	
<b>Equity</b>			
Paid-up Capital	¥ 54,500,000	US\$ 245,100	
Legal Reserves	16,914,811	76,073	
Other Surplus	118,346,220	523,257	
<b>Total Stockholders' Equity</b>	<b>¥187,761,031</b>	<b>US\$844,439</b>	
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>¥8,426,790,383</b>	<b>US\$37,598,765</b>	
<b>PROFIT AND LOSS</b>			
(For the Year ending March 31, 1978)			
Gross Income	¥ 466,569,609	US\$ 2,098,312	
Gross Expenses	429,574,653	1,931,976	
Profit for the Term before Taxes	36,994,956	166,336	
Provision for Taxes on Income	30,287,691	91,017	
Profit for the Term after Taxes	16,747,265	75,319	

Notes: (1) Yen amounts are converted into U.S. dollars at the rate of ¥232.35 per US\$1.  
(2) The above statements are nonconsolidated.

**TOKAI BANK**  
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